FRIENDS of FINANCIAL HISTORY

Chronicling the History of America's Capital Markets

Number 52 Fall 1994

AMERICA, MONEY AND WAR

"Financing the Civil War" opens at The Museum of the Confederacy, Through Summer 1995

EXCLUSIVE MUSEUM OFFERINGS

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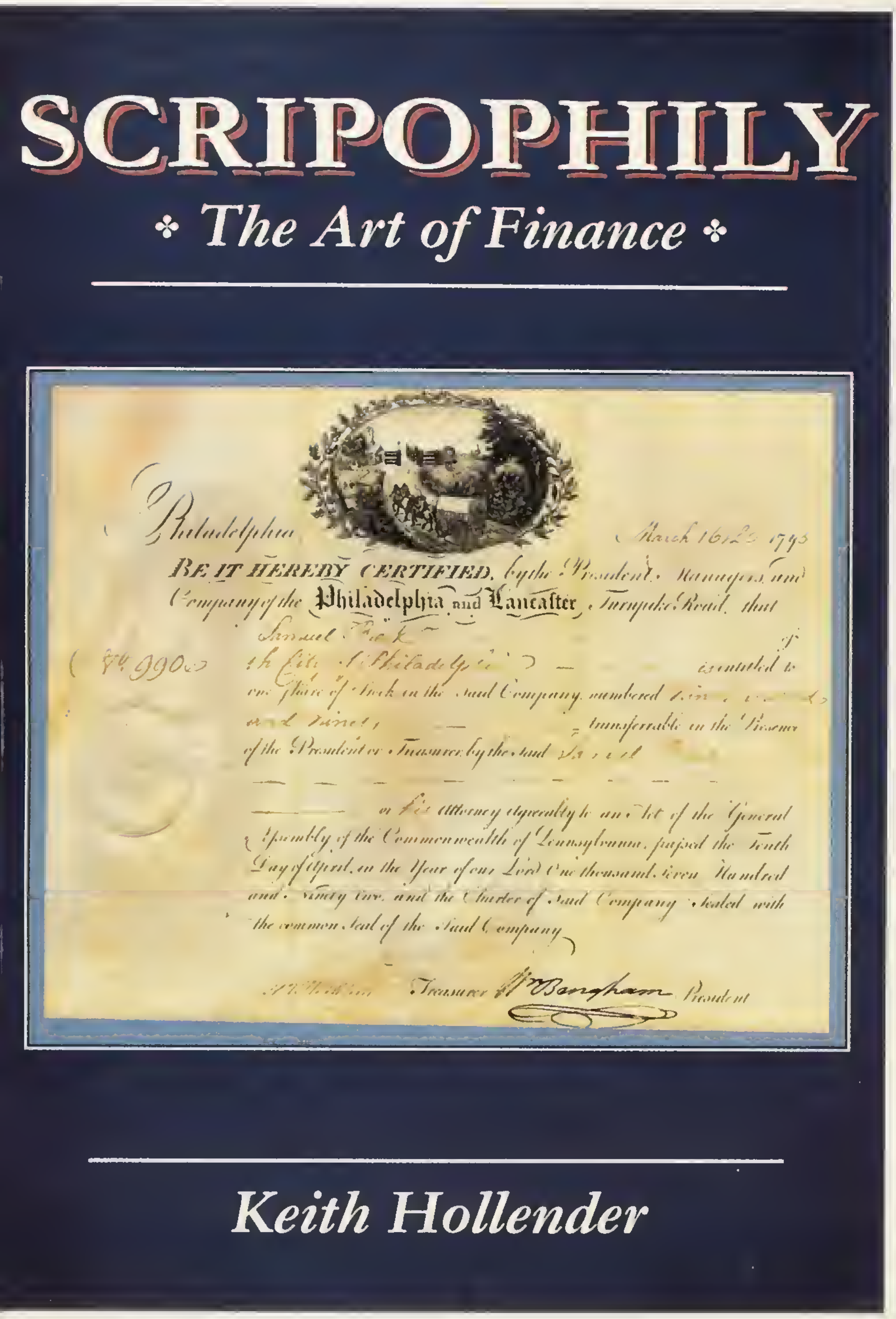
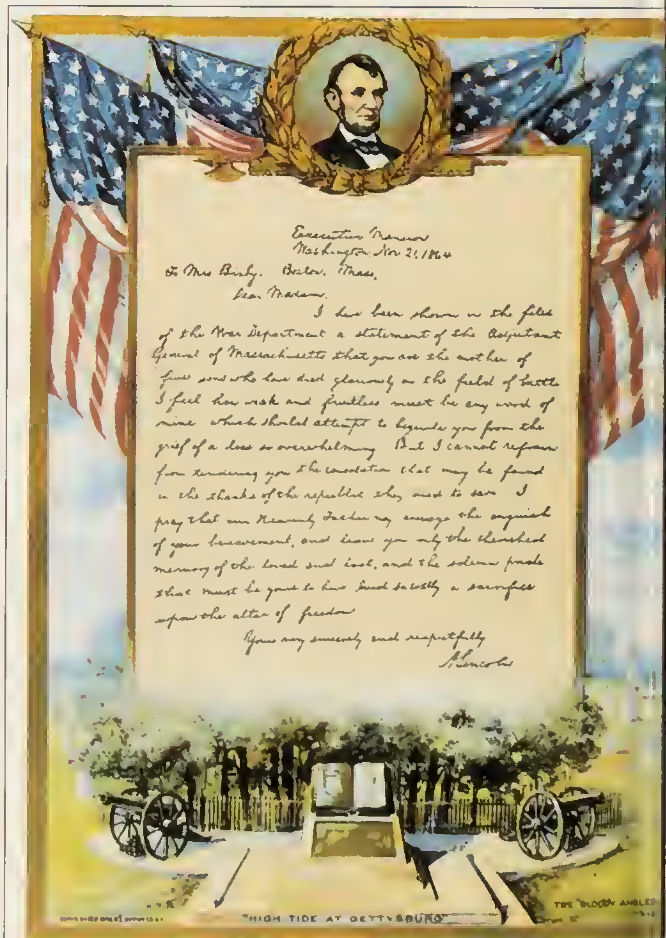


Scripophily - The Art of Finance.
By Keith Hollender. This hardcover book is the definitive text for collectors of financial documents. Fc experienced collectors as well as beginners, the book h: 120 illustrations, many in color. Published by the Museum of American Financial History. Subjects include railroad "barons," gold rushes, early European trading companies. $29.95.

Financing the Civil War.
The Museum's insightful teaching resource kit and exhibit catalogue on the financial aspect of the Civil W: The educator's resource kit is a three-ring binder with subject overview/discussion plates, 20 color slides of notes, bills and bonds with soft-cover, 42-page illustrat catalogue. Catalogue available separately. $49.95. (Catalogue only, $14.25)

Friends of Financial History.
Our quarterly magazine offers feature stories on great financial leaders, historic events, updates on Museum exhibits and activities, and a special section for collectors of financial memorabilia. $25.00 (For educators: $20.)



The Bixby Letter.
Notecards of Abraham Lincoln's hand-written letter of condolence to a Massachusetts woman who lost all five of her sons in Civil War battle. The message is clearly legible and shows Lincoln's anguish for both mother and nation. Shipped in a box of eight cards, with envelopes. $13.00 (Price includes shipping and handling.)

(Please see order form on inside back cover.)

FRIENDS of FINANCIAL HISTORY

Chronicling the History of America's Capital Markets

Published by the Museum of American Financial History

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On the Cover: Mosby and his men attacking a wagon train near Berryville, Va. Courtesy of the Museum of the Confederacy, Richmond, Virginia.

FRIENDS OF FINANCIAL HISTORY

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Letters to the Editor are welcome; please send them to Friends of Financial History at the above address.

Editor: T. Patrick Harris

Managing Editor: Diane Moore

More Success and Growth; Important Milestones Ahead

The museum's first travelling exhibit has opened in Richmond, Virginia, complete with a catalogue and teaching resource kit for educators.

By John E. Herzog

As we prepare this issue of *Friends of Financial History,* we anticipate a number of important milestones for the Museum. Our first travelling exhibit has just opened in Richmond, Virginia, at the Museum of the Confederacy, as of October 25th. The exhibit is scheduled to remain there until the end of the summer of 1995, giving us wonderful exposure for one of our most popular shows.

In connection with the exhibit, we have also created our first exhibit catalogue, titled "America, Money and War: Financing the Civil War." It is a handsome publication and designed to be used with our first teaching resource package, which was prepared for the exhibit. The material in the package contains a copy of the catalogue and some brief outline notes to be used by a teacher. The notes are meant to be used in conjunction with twenty slides for illustration, created from objects in the exhibit. The kit is bound in a three-ring binder, so that other material can be added as the teacher wishes. This project has been a goal for a long time and we are very excited that it has come to fruition.

And, there is more! As you will see elsewhere in this issue the Museum's first book is ready for sale. It is a completely updated edition of Keith Hollender's fine book *"Scripophily — The Art of Finance."* I believe you will find it very interesting, with good general background, anecdotes, and fine illustrations. I hope you will want a copy for your library, and possibly even for a gift or two. (We would be very appreciative of any help from readers with respect to contacts in the book distribution industry. We do not have a lot of experience in this field, but we do have books to sell!) If anyone knows a company that might want to use this book as a Christmas gift, we would welcome your call.

We have also done some wonderful work organizing our growing collection, with the help of Zachary Edinger over the summer, and now Meg Ventrudo who is working with our wonderful new collections management database and also storing things in archival materials to prevent damage or deterioration. (For more on Meg's work here, see Museum People & News.)

With *Friends of Financial History,* we've upgraded our subscriber database, and have begun the process of reviewing it for errors and changes. In doing some of that work, I was greatly impressed and gratified by the large number of subscribers who have been with *Friends* for so long! I want to thank you for your interest and support; where would we be without you? And these thanks are also from the many people who have worked on *Friends* over the years, as well as for the many of you who have contributed articles and good ideas. As a point in fact, please note that in this issue we have several articles written by collectors and other long-time readers of *Friends.* —It has certainly been wonderful and I hope you will continue to call or write with your ideas, stories, and critical suggestions, so we can keep improving the magazine.

I wish you all a wonderful fall season, happy holidays, and of course, great collecting moments in American financial history. FFH

A mid-summer meeting of Museum trustees and associates was held aboard the historic sailing yacht "Ventura" in New York harbor, courtesy of Friends editor, and Ventura's skipper, Patrick Harris. Pictured, from left: marketing consultant Alan Samuels, public relations advisor Alan Mount, trustee John Westergaard, trustee Patricia Wolff Schaen, Museum Founder John Herzog, Angela Levis and trustee Tom Levis, Patrick Harris (foreground), and trustees Ed Altman, Bill Pinzler, Bill Behrens, and Steve Cooper.

New Museum Staffer Brings Research Skills

Meg Ventrudo has joined the staff of The Museum of American Financial History where she is presently concentrating on cataloguing the Museum's collection.

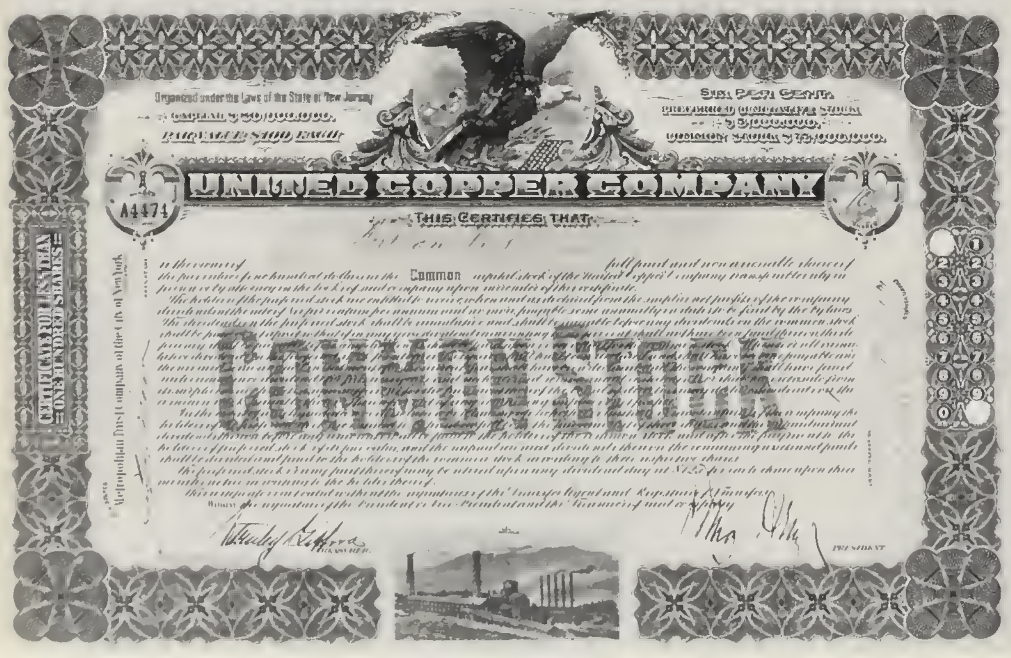
Meg, a resident of Staten Island, New York, holds graduate and undergraduate degrees in History from George Mason University in Virginia, and from Loyola College, in Maryland. At George Mason, where she received her Master's degree in January 1994, Ms. Ventrudo worked on a fellowship as a research assistance documenting various aspects of the life of George Mason and his 18th century plantation house/museum, "Gunston Hall." George Mason was the Colonial statesmen who is perhaps best known for his refusal to ratify the United States Constitution.

Meg reminds us that Mason rejected the Constitution because it did not contain certain provisions which, later, were incorporated into amendments contained in the Bill of Rights.

Meg is presently applying her research skills to organizing and entering the Museum's collection of documents, books and other artifacts into an on-line collections management program. The personal computer-based program is especially useful, she said, in preparing exhibits as all the data that is input may be cross referenced easily. "You can call up a topic like railroads, for example, then cross reference any other item in the Museum's collection that is relevant, such as stock certificates," she said.

There are now over 2,000 pieces from the collection that have been entered into the program, she said.

In November, Meg was the beneficiary of her own efforts when she used the collections management program to help her prepare a new Museum exhibit on mining, now on display at India House in New York City. "It was very useful in getting an overview of what we had in-house, then shaping it into an exhibit," she said.



"Mystery" signature discovered. German collector and dealer Rudy Weng has unearthed a signature of Frederick Augustus Heinz, one of the turn-of-the-century "Copper Kings." The signature, previously unseen among collectors, says Mr. Weng, is on a certificate for the United Copper Company. (A glance at the signature is a pretty good clue as to why it has not been so readily identified.) For more on the collapse of United Copper, see "The Collector" section in this issue of Friends.

"Outstanding Service" Award To Highlight Fundraiser

The Museum of American Financial History will be hosting its fifth annual fundraiser on February 7, 1995 in New York City. Highlighting the evening's activities will be the presentation of the Museum's "outstanding service to American capital markets" award.

The recipient of the 1995 award is Mr. Philip L. Carret, the founder/chairman of Carret & Company, Inc., and a trustee of Pioneer Group Mutual Funds. Mr. Carret, who turned 98 on November 29, is also the author of the book *Money Mind at 90*, a collection of business anecdotes with some autobiography.

Last year more than 200 people attended the event, in which Gordon Macklin, the former president of the National Association of Securities Dealers, was given the award. Mr. Macklin is credited with bringing the Nasdaq system "on-line" and for championing the cause of electronic trading in the over-the-counter stock market. The award was first given in 1993. In that year, Edward I. O'Brien, the outgoing president of the Securities Industry Association, was honored.

Museum To Expand Presence at Strasburg

The Museum of American Financial History will be expanding its role at the Strasburg event in 1995, said Diane Moore, executive director of the Museum. The Strasburg event is the annual gathering of collectors and dealers of historic financial memorabilia, and is believed to be the largest such event in the world. This year the event will be held from Wednesday, January 25 through Sunday, January 29.

The Museum will put on exhibit artifacts from its collection that have never been displayed, in addition to the permanent exhibit now in the lobby of the Historic Strasburg Inn, site of the annual event. "We'll also be selling selected merchandise from our gift shop," added Ms. Moore, "including our new book '*Scripophily — The Art of Finance*.'"

"Scripophily" is a completely updated version of Keith Hollender's tome of the same title originally published in 1983. For more information of "Scripophily" see page eight of this issue of the magazine.

Financing the Civil War Opens in Dixie

"America, Money and War," the Museum of American Financial History's exhibit on financing the Civil War, has opened at the Museum of the Confederacy, in Richmond, Virginia. The exhibit is an adaptation of the original show, which ran in the Museum's gallery in New York City from the spring of 1993 to early 1994.

"I'm very pleased and excited by this," said John Herzog, founder of the New York museum. "The exhibit at the Museum of the Confederacy adheres to the original format, but has been enhanced for our new audience. Several of the original pieces have been replaced by examples from the Richmond collections. We have also developed background information on the opposing Secretaries of the Treasury. Their actions set the stage for many of the corporate and financial events of the following fifty years. The exhibit places these developments in a modern context."

Douglas B. Ball, a leading authority on Confederate finance, a numismatist by profession who has specialized for many years in the bonds and banknotes of the Confederate States, and the author of *Financial Failure and Confederate Defeat*, was the curator of the original exhibit. The exhibit was the first to bring together all the elements of Civil War financing, thus adding a new dimension to understanding the greatest conflict in American history.

The exhibit will run through the summer of 1995.

Can't travel to Richmond? Purchase the exhibit catalogue for only $14.95. See "America, Money, and War" on page 8.

"Captain of Industry" Award Granted at VMI

Cadet Stephen Colvin of the Virginia Military Institute was awarded the eighth annual "Captain of Industry Award" by G. Haley Garrison, a trustee of the Museum of American Financial History.

The award is given each year by Mr. Garrison to a top graduating student from the Department of Economics and Business, who has excelled in academics and leadership and shown those traints "which would give him the potential to become a future captain of industry."

As is customary, the award was a magnificiently framed antique security. The featured security this year was a J.P. Morgan Reorgnization Stock of the Northern Pacific Railroad Company, dated 1895, framed with a limited edition print of Custer's Last Stand and an HO guage locomotive and tender. Mr. Garrison explained the significance of the items was that, like Custer, who went out to protect the railroad from the Indians, the recipient would end up on top of Little Big Horn with Custer, unless he carefully "sharp-penciled" his investments.

A award for excellence was also presented to the VMI faculty by Richard T. Gregg on behalf of the Society for the Preservation of American Business History. Mr. Gregg and Mr. Garrison are senior trustees of the society.

Spare change...

Anniversary... The Brooklyn Women's Exchange, one of the nation's first entrepreneurial organizations for women, celebrated their 140th anniversary in November.

Founded in 1854, the exchange provided an outlet for the handsewn products of needy women who were unable to find work outside their homes.

Speaking... The Financial Women's Association of New York is sponsoring a spring 1995 event tentatively entitled "Wall Street: What's Changed, What's Stayed the Same." Museum founder John Herzog will be addressing the group and discussing some of the lesser-known and historically significant contributions of women in finance.

Taxes... The opportunity for making gifts to the Museum of tangible property at present market value expires at the end of 1994! If you have items the Museum might like and you no longer need, please call and let us know. Your gift will enhance our collection and provide you with a savings in taxes. Gifts are always welcome! For details, please call Diane Moore, executive director, at 212-908-4519.

Hours... Gallery hours of the Museum are 11:30 AM until 2:30 PM Monday–Friday. Gallery is at 26 Broadway, NYC.

America, Money and War Yields Teaching Aid, Notecards, Tome

Notecards, slide shows for teachers, a catalogue on financing the Civil War, and "Scripophily" are now on sale from the Museum of American Financial History.

A Staff Report

Abraham Lincoln notecards, an educator's resource and catalogue on financing the Civil War, and a benchmark tome on scripophily are new ventures by the Museum of American Financial History and are now available to the public. The notecards, catalogue, and teacher resource materials, for sale by mail or telephone order, are extensions of the Museum's popular exhibit on the financing of the Civil War.

While the fiscal side of that war may be readily grasped as a project for an American financial museum one would be within bounds to ask if publishing Lincoln notecards is a stretch?

Not at all, says John Herzog, founder of the New York City museum. "We cannot afford to overlook the powerful emotional issues of the Civil War," he says, explaining how strong emotions are often catalysts for such seemingly unrelated actions like financial legislation.

Lincoln's condolence letter to Mrs. Bixby was written by the President to a Massachusetts woman who lost all five of her sons in Civil War combat. It is believed by some to be one of the outstanding examples of English prose writing.

A stylized version of the Bixby letter now graces the front of a high quality notecard, shipped in a box of eight, and may be purchased directly from the Museum for $13.00, including shipping and handling. (See the inside cover of this issue of *Friends of Financial History* for a full-color reproduction.)

The Museum's illustrated catalogue on financing the Civil War may be purchased individually; it is also included as part of the entire teaching resource kit, which is designed for classroom use. Both items are extensions of the Museum's exhibit which displays the different financial strategies followed by the North and the South. The resource kit includes 20 slides of various significant currencies, such as a Confederate States of America-issued $1,000 bond, complete with eight $30 coupons attached.

The kit is bound in a three-ring binder and includes overviews for teachers on relevant background information including the growth of pre-war America, on Lincoln's election and the South's secession, and the economic impact of the war.

The catalogue is a soft-cover, 42 page overview and analysis of the financial condition of America, from both the Northern and Southern positions, before, during and after the war. The catalogue is illustrated with different bonds and notes of the era, and the significance of each of these items is explained. A "walking tour" of the Museum's exhibit, when displayed in its gallery in New York City is included, as well as cameo biographies of Lincoln, Jefferson Davis, and their respective Secretaries of the Treasury.

The catalogue may be purchased directly from the Museum for $14.25 including shipping and handling. (The cover of the catalogue is illustrated from an oil painting of a Civil War battle and is used on the cover of this issue of *Friends*.)

With "Scripophily — The Art of Finance," the Museum enters the world of book publishing for the first time. It is a hardcover book, written by Keith Hollender, and as the title suggests, is dedicated to the collecting of original financial documents.

The book is divided into three sections, each focused on a different aspect of the worldwide scripophily theme: the first provides general background and the historical origins of scripophily; the second covers collecting themes such as mining, railroads, banking and shipping by country; and the third offers practical advice and suggestions on building, valuing, and ultimately selling a collection.

Some of the subjects covered include: the origins of share trading, beginning 4,000 years ago in Mesopotamia • early European trading companies and the "South Sea Bubble" • the American "railroad barons" and the gold rushes of California, Australia and South Africa.

"Scripophily — The Art of Finance" contains 160 pages with over 120 illustrations, many in color, and is produced in hard cover with a full-color dust jacket.

"It is fitting that the Museum's first book is an updated edition of this classic, which was first published in 1983, since we have, in the few short years since our founding, become the repository for many thousands of financial documents. We believe the book will prove to be an essential reference for every serious collector of these beautiful and often rare works.

"Most importantly, "Scripophily" provides a permanent record of this most unique art form, combining design, calligraphy and engraving, which, in its final application, is rapidly disappearing," said Diane Moore, Executive Director.

Because of the increasing popularity of collecting these documents in Germany, a German-language edition has also been commissioned.

"Scripophily — The Art of Finance" may be purchased directly from the Museum by writing or calling 212-908-4519. An order form for all of these items is found on the inside front and back covers of this issue of *Friends of Financial History*. FFH

Chauncey Mitchell Depew: Orator, Politician, Railroad Man

With wit and charm, this president of the vast Vanderbilt railroad empire enhanced the "Commodore's" image and profits, and graciously accepted public speaking tips from his friend Abraham Lincoln.

By George Haley Garrison

Career summary: Yale graduate (1856); admitted to New York Bar (1858); state legislator and Secretary of State, New York (1861-1865); president, New York Central & Hudson River Railroad (1885-1898); chairman of the board, New York Central (1898-1928); candidate, Republican presidential nomination (1888); Republican senator, New York (1899-1911); practicing attorney; board member of several corporations (1911-1928).

Chauncey M. Depew was born in Peekskill, New York on April 23, 1834. Early on, he demonstrated his intellectual abilities as a serious student, and was accepted at the famous Yale College in New Haven, Connecticut. In 1856, he graduated and returned to Peekskill where he studied law in the office of one William Nelson. Two years later, in 1858, he was admitted to the New York Bar and quickly became a successful lawyer. But his interests went beyond the practice of small city law, into the higher, national issues of the day. In fact, his zeal in denouncing slavery and in supporting the Republican party, which had just been founded, drew him into active politics. In 1858, he was a delegate to the state convention and subsequently became an important campaigner for Abraham Lincoln, who was elected president of the United States in 1860.

In 1861, Depew was elected to the New York legislature by a majority of the votes. Depew's personality and his skill as an orator rapidly boosted the young man to prominence in New York politics. His greatest asset was his ability to express ideas clearly and precisely with a strong humorous influence. A naturally charming man, he rarely made political enemies, primarily because he tried to keep personalities out of politics.

After serving one term in the New York Legislature, Depew, only 29 years old, won a state-wide election to the office of New York Secretary of State in 1863. After two years in that position Depew was offered a presidential appointment to be the U.S. Ambassador to Japan. He refused the post and its' handsome $75,000 salary, and instead joined ranks with "Commodore" Cornelius Vanderbilt as an attorney and lobbyist for the Vanderbilt railroads. Depew's pay was far less with Vanderbilt than with the government, but he must have been influenced by Vanderbilt's advice: "Railroads are for a young man; there is nothing in politics. Don't be a damn fool!"

Serving The Vanderbilts

Depew started work as the attorney for the New York & Harlem and the New York Central & Hudson railroads. In 1875, he was named general counsel to the newly consolidated New York Central and in 1882, he became second-vice-president of that railroad.

During the many years that Depew served the Vanderbilts, his main contribution was as a legislative lobbyist. His political connections with the Republican party helped him because politics, naturally, played a strong role in railroad rights-of-way (track locations) and Depew could address this vital interest with his political contacts.

But his lobbying skills were not confined to politicians. By 1880, the railroads were drawing increased criticism from many of their freight clients. The basic problem was that New York City merchants and the western farmers and businessmen were upset at any railroad rate difference that appeared to favor one group over the other. Vanderbilt dispatched Depew to work with each group and with his charm, logic and characteristic wit, managed to satisfy all sides. This peace-making ability was part of the reason he was so valuable to the Vanderbilts.

Depew also used his skills in tact and diplomacy in advising both "Commodore" Vanderbilt, and his son William, on how to improve their own, and the company's image — and protect profits. In the 1880s, he persuaded William to sell some of his stock in the New York Central. His argument was that any legislation that might threaten railroad dividends, with its obvious negative implications on the vast Vanderbilt holdings, could effectively be thwarted by selling off a small amount of stock. He successfully reasoned that no legislature would wish to harm the poor widows who owned the (small amount of) stock not in Vanderbilt hands. By spreading the ownership, the legislature could not enact limits on the New York Central's dividend paying power. In 1885, Depew further suggested that the Vanderbilts resign all of their railroad presidencies and vice-presidencies in order to reduce the wealthy family's exposure to criticism. Subsequently, the Vanderbilt family members were replaced as corporate officers, but of course still retained their all-powerful positions as trustees on the various railroad's boards.

The fact that Depew was not actually a railroad man at all, but a skillful lawyer and politician was indicative of the growing size and sophistication of the railroads and their management. Depew's appointment also fit the administrative policy of the New York Central, where top executives had not been closely involved in actual railroad operations.

While still involved with the New York Central, Depew still actively pursued his strong interest in politics. In 1888 he was a serious contender for the Republican nomination for the presidency of the U.S. but lost because the western Republicans were opposed to anyone associated with the railroads. In 1899, he was chosen as a United States Senator from New York. His political activity, although time consuming, was extremely beneficial to the Vanderbilt railroad interests so they fully supported Depew's political aspirations. Although Depew retired from the New York Central Railroad Company as president in 1898, he continued as Chairman of the Board up until his death in 1928.

It was during the years that he was rising to prominence as a politician, railroad attorney and executive that Depew became devoted to the avocation of public-speaking, specifically as a toastmaster.

Depew enjoyed public speaking and became quite accomplished at it. In fact, he was in such demand that he often spoke three to five nights a week. This sideline, like his other avocations, was seen as useful to the New York Central, especially as most of his presentations were made at the annual meetings of various trade associations.

Vanderbilt graced the New York Central's certificates with his own portrait.

This exposure helped the New York Central to obtain even more business and better its image.

As a speaker, Depew picked up some practical tips from none other than his close friend Abraham Lincoln, whom he had helped become president of the U.S. Lincoln convinced him of the effectiveness of using humorous anecdotes to make points in public speaking. As a case in point, and also one that showed to the advantage of the Vanderbilt's, was a humorous story to illustrate that the New York Central was not so large that it didn't take seriously the needs of smaller railroads.

Poking mild fun at himself, he told of how one day the president of the Waupaca Railroad called on him when he was president of the mighty Vanderbilt railroad system and asked for an exchange of railroad passes. "Where is the Waupaca railroad?" he asked. "Wisconsin," came the reply. "Strange, I never heard of your road," replied Depew. "How long is it?" "We are operating sixty-seven miles," said the man from Wisconsin. "And you call that a fair exchange when the Vanderbilt system has its thousands of miles?" railed the New Yorker. "Well, Mr. Depew," said the Waupaca Railroad president, rising to go. "Your road may be a little longer than mine, but it ain't any wider!" With that retort, Depew agreed to the exchange!

On another occasion, during a financial crises, Depew was asked if he were an optimist or a pessimist. Depew replied that first one must define the difference. As he saw it, a pessimist was a man who thought all women were bad; an optimist hoped so!

Later Life

Depew also authored two important works in his lifetime which today still serve as valuable reference works and commentaries on the later part of the 19th century and the first part of the 20th century. They were: *One Hundred Years of American Commerce,* published in 1895; and *My Memories of Eighty Years,* published in 1922.

Late in life Depew was often asked about his recipe for longevity. His characteristic humor and charm had not deserted him and his reply was, "work, temperance, fun, the ability to laugh, and the refusal to worry." Later still, when he was 92, he told reporters that he expected to live to one hundred at which time he expected to "take up golf!" Depew remained in reasonably good health and clear mind until shortly before his death of pneumonia on April 5, 1928, eighteen days short of his ninety-fourth birthday. He left an unappraised fortune of $10,000,000 (approximately $135,000,000 today) of which Yale University was a large beneficiary. He was buried in his hometown of Peekskill, New York.

The following are Mr. Garrison's references in preparing this article, and suggested reading: A collection of Chauncey Depew's speeches and papers from the library of George Washington University, Washington, D.C.; Depew, Chauncey M. "My Memories of Eighty Years," New York: Charles Scribner's Sons, published 1922; Depew, Chauncey M. "One Hundred Years of American Commerce 1795 - 1895," New York: D.O. Haynes & Co., published 1895; Frey, Robert L. "Railroads in the Nineteenth Century," New York: Facts on File, 1988; Ingham, John N. "Biographical Dictionary of American Business Leaders," Volume 1, Connecticut: Greenwood Press, 1983. FFH

The Investment Act of 1940: "Reasonable and Intelligent"

This legislation ended an era of widespread abuse and at the same time paved the way for a thousand-fold growth in the American mutual fund industry.

By William A. Campbell

The investing public was outraged — and bankrupt. The great stock market Crash of 1929 was recent memory and the nation's economy wallowed in depression. Politicians smelled blood, always an opportunity for legislation, and saw the clear need to reform an abused investment industry.

The last issue of ***Friends of Financial History*** *traced the early history of the American mutual fund industry, particularly the English and Scottish investment trusts that funded the nation's growth at the turn of the last century. In this article, the industry-shaping Investment Company Act of 1940 is discussed, along with the modifications of this landmark Act in 1970. The 1970 modifications were made necessary by the post-1945 industry surge, and facilitated the spectacular popularity of mutual fund investing that continued into the 1990s.*

The article is illustrated with artifacts from The Museum of American Financial History. The Museum is now hosting a major exhibit to celebrate the 70th anniversary of the American mutual fund industry.

— Editor

The 1930s was a period of much legislation and investment company legislation was no exception. The Public Utility Holding Company Act of 1936 contained a provision requiring the Securities and Exchange Commission to study investment companies and report its findings back to Congress. The study was indeed comprehensive. After several proposed pieces of Congressional legislation that the industry found entirely unacceptable, a revised bill was passed in November, 1940. The Investment Act of 1940, the lengthiest of the securities acts administered by the SEC, provided the foundation and framework from which the industry developed. An important point is that the industry recognized the value to themselves, as well as to shareholders, of sound legislation.

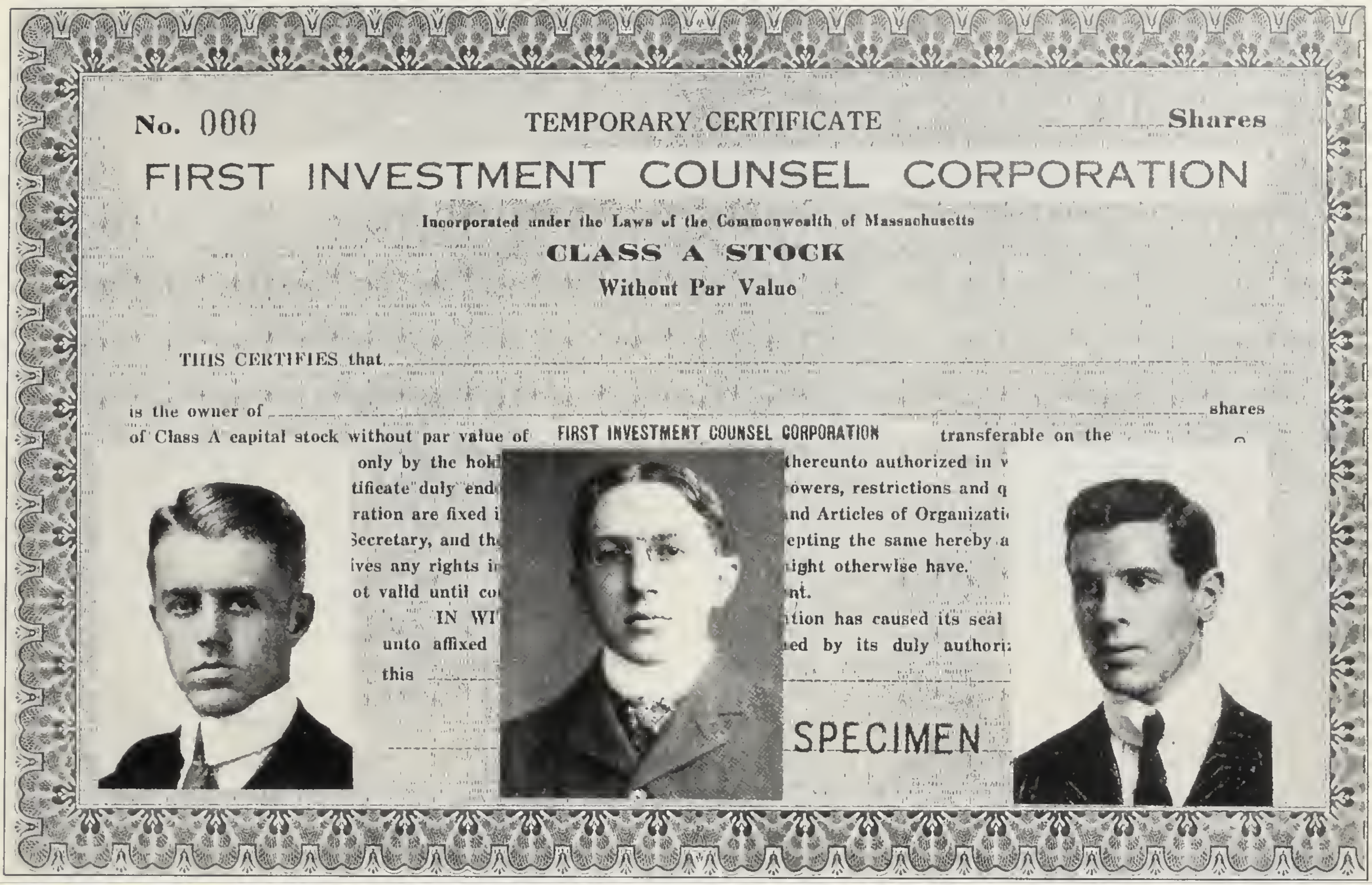
The purpose of the Investment Act of 1940 was primarily regulatory. The main objectives were to prevent abuses of position, fraud, and conflicts of interest that had occurred in prior periods. To meet these goals, lawmakers prohibited particular actions, restricted the activities of investment firms over investment companies, and increased the rights of shareholders.

Under The Investment Act of 1940 (the 1940 Act) investment companies were defined as follows: A company "engaged primarily in the business of investing, reinvesting, or trading in securities —or engaged in the business of issuing face amount certificates of the installment type — or engaged in the business of investing, trading in, or owning securities provided more than 40 percent of its assets consist of investment securities — not including U.S. government securities or securities of a majority owned subsidiary which is not an investment company."

This definition was created to help distinguish investment companies from holding companies. Among the requirements of holding companies under the 1940 Act are: (1) filing detailed statements with the SEC disclosing information required of other registrants; (2) filing detailed information regarding the financial and investment policies of investment companies; (3) that shareholders approve of changes in the first two conditions; (4) a limitation on the number of parties, including underwriters and brokers, who could serve as directors of investment companies.

The 1940 Act not only gives the SEC power to intervene on behalf of a fund's shareholders but the Act also contains provisions regarding the classification, permitted activities, and allowed capital structure of investment companies. Investment companies may be categorized as face-amount certificate companies, unit investment trusts, or management companies. Management companies were defined under the 1940 Act to include both open-end and closed-end companies. A second method of classification of management companies was as diversified or not diversified companies. A diversified company was defined as a management company that meets the following requirements: at least 75 percent of the value of its assets is represented by cash and securities, in which the securities of no issuer, except the U.S. government, represents more than five percent of the assets of the investment company or more than ten percent of the voting securities of an issuer. Non-diversified companies were de-

The main objective of the 1940 Act was to prevent abuses of position, fraud, and conflict of interest that had occurred in prior periods.



Founding fathers. *The First Investment Counsel Corporation was founded in 1919, in Boston, by three Harvard men, from left: Theodore T. Scudder, Sidney Stevens, and F. Haven Clark. The firm would grow to become a giant in the American mutual fund industry.*

fined simply as those management companies that were not diversified. Similarly, while an open-end company is a management company that offers for sale or has outstanding any redeemable security of which it is the issuer, a closed-end company was defined to be a management company that was not an open-end company.

As the 1940 Act was a piece of regulatory legislation aimed to protect shareholders, and also the industry itself, the activities of investment companies were restricted from those it had practiced in prior years. For example, investment companies are prohibited from buying on margin and also from selling short. They are also prohibited from engaging in a joint venture with affiliated persons in violation of the rules of the SEC. Restrictions are also imposed on the relationships between investment companies and underwriters, companies whose stocks the investment company is a purchaser of, and insurance companies. For example, open-end companies may not distribute their own securities, except through an underwriter, with the SEC's approval.

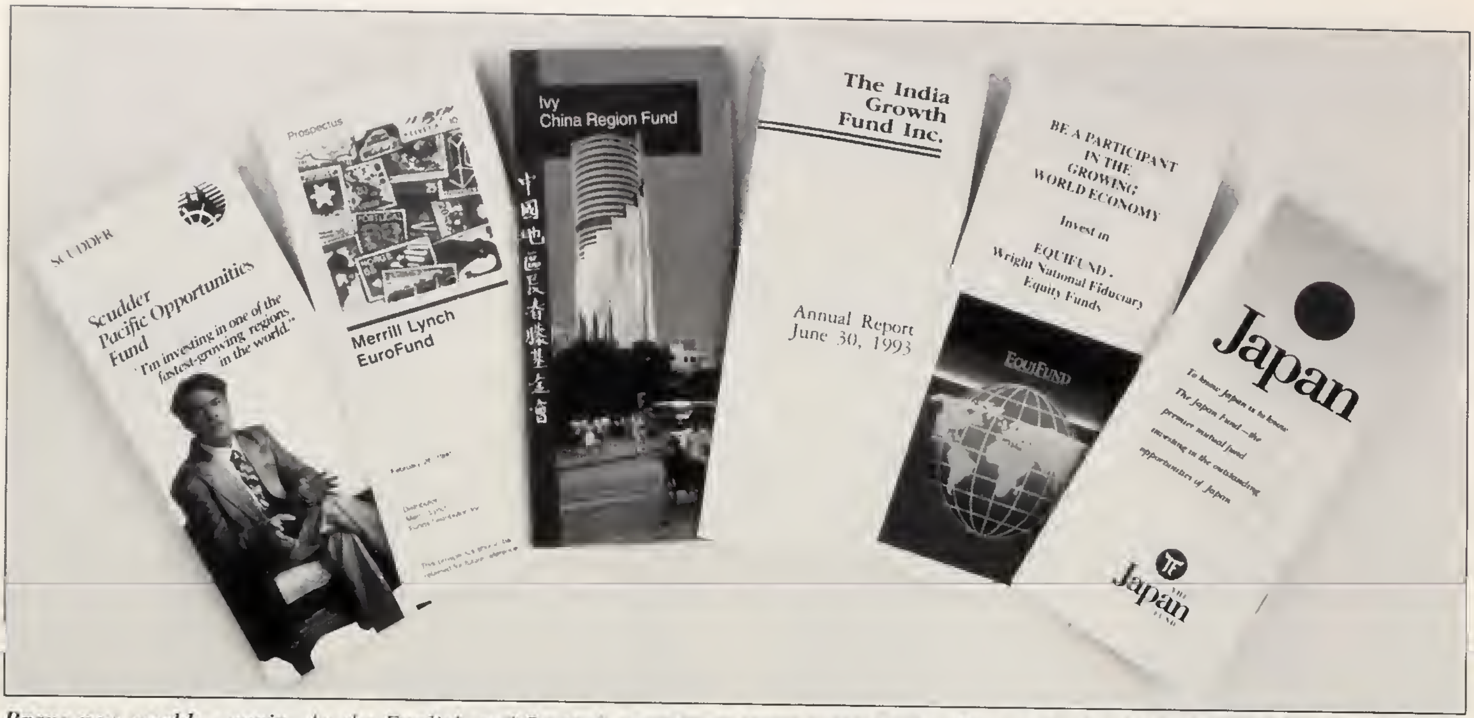
Capital structure provisions in the 1940 Act limit borrowing by management investment companies. Although open-end companies generally do not have bank loans or senior securities outstanding, closed-end companies do utilize such financing alternatives. The 1940 Act limits the issuance of debt by closed-end companies to debt that has an asset coverage of at least 300%.

By the 1960s, the rapid growth of mutual fund assets prompted Congress to reexamine the supervision of investment companies: formal amendments to the 1940 Act were adopted in 1970.

Regulation Refined

Rapid growth of mutual fund assets and several studies of the industry prompted Congress during the 1960s to reexamine on several occasions the supervision of investment companies. A Wharton School of Finance and Commerce study, a 1963 report on the securities market, and a 1966 SEC report on the public policy implications of investment company growth brought attention to potential conflicts of interest between fund management and shareholders and the lack of arm's-length negotiations between these two groups. The studies also addressed the independent oversights of advisers. As a result of these reports, Congress drafted the 1970 Amendments to the 1940 Act.

The main objectives of the 1970 amendments identified by the U.S. Senate were: (1) To alter the rules of the 1940 Act regarding investment company management fees, mutual fund sales commissions, and periodic payment or contractual plan sales commis-



Brave new world – again. *As the English and Scottish investment trusts were once willing to fund a high risk world -- America as a developing nation -- the American mutual fund industry now seeks opportunity, with various degrees of risk, in other nations of the world.*

sions (2) to allow banks and savings and loans to operate commingled managed agency accounts in competition with mutual funds (3) to facilitate, update and improve the enforcement of the 1940 Act.

Some key specific modifications made by the 1970 amendments established explicit prerequisites for approval of the management fee contract and also outlined the explicit fiduciary duty imposed on investment advisors. Although both the SEC and the shareholders are granted the right to act against an investment advisor, the plaintiff nevertheless carries the burden of proof establishing a breach of fiduciary duty by the advisor.

Growth and Change

How successful or useful was the 1940 Act? Or the modifications in 1970? It is difficult to estimate how the industry would have performed had the 1940 Act not come into existence. It is not unreasonable to believe that many of the problems of the investment trust era would have persisted limiting the growth and popularity of investment trusts. What is clear is the enormous prosperity the industry as a whole has experienced in the half-century since the 1940 Act was implemented.

The investment company industry has indeed experienced tremendous growth since 1940. For example, total mutual fund assets reached particular milestones on the following dates:

- 1945: One billion dollars
- 1958: Ten billion dollars
- 1980: One hundred billion dollars
- 1990: One trillion dollars.

As one can see, the industry has experienced a one thousand fold growth in 45 years. This growth came, and continues, from two sources: an increase in the share prices of securities in which mutual funds invest; and, more importantly, a large net inflow of dollars into the funds, a reflection of the increased popularity of mutual funds. For example, there existed about 300,000 shareholders in 1940. This grew to 10.7 million in 1970, for an average annual growth in investors of about 13 percent. In 1991, there existed over one million shareholders in the largest equity mutual fund alone!

The industry's association, the Investment Company Institute, reports that the 1974 introduction of money market mutual funds marked a dramatic change in the industry. This followed a decline in investor interest in equity funds, following a period of inflation and a volatile stock market in the early 1970s. Demonstrating its creativity and sensitivity to the demands of investors, the industry responded with the introduction of money market mutual funds. These mutual funds permitted small investors to participate in a market that, up to that time, had been available only to institutions and to individuals with substantial liquid assets.

As was true in prior decades, the period of the 1980s continued to be one of continued growth for the industry. By 1985, total fund assets of $366 billion were four times the level in 1980. Surprisingly, the greatest growth in 1985 came from a 150 percent growth in bond fund assets from 1984 levels. This resulted in total bond fund assets surpassing stock fund assets for the first time. Cumulative growth of total assets during the 1980s was 939 percent, rising from $94.5 billion to $982 billion.

How successful was the 1940 Act? It is not unreasonable to believe that many of the problems would have persisted... In the past 50 years, the mutual fund industry has experienced asset growth from one billion to one trillion dollars.

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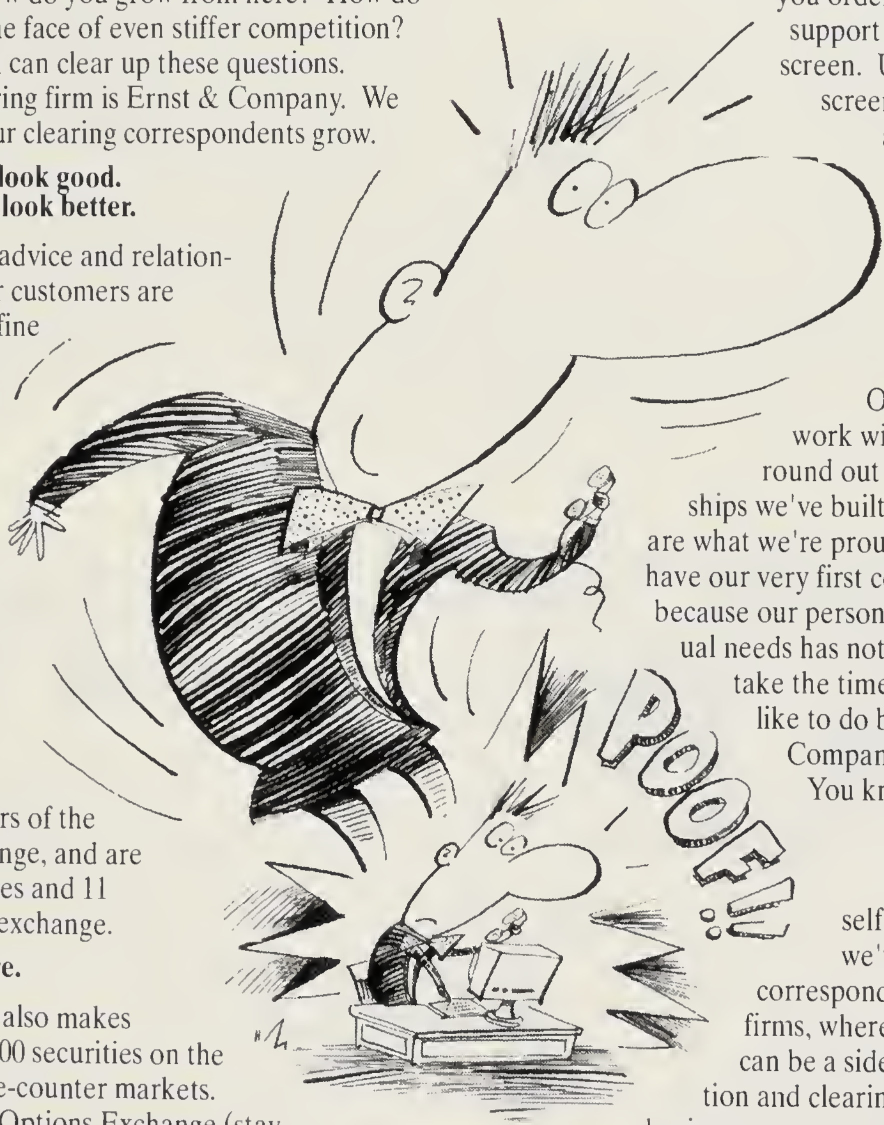

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The popularity of mutual funds also increased during the decade as the number of households investing in mutual funds increased more than 400 percent, to 22.8 million households. The number of shareholder accounts increased 250 percent to 54.7 million.

The increasing use of individual retirement funds (IRAs) and the periodic funding of such accounts have significantly impacted mutual funds. Largely reflecting the increased use of IRAs but also the growing popularity of mutual funds, the number of IRA accounts invested in mutual funds increased from 500,000 in 1981 to 17 million in 1989. Over the same period, IRA assets invested in mutual funds increased from $2.6 billion to $111.8 billion. In fact, more IRA assets — 24.1 percent — are invested in mutual funds than in any other financial intermediary.

Intelligent Regulation

The investment company industry has experienced rates of growth and levels of prosperity that probably few imagined when the 1940 Act was adopted. The intelligent and thoughtful regulation of the industry has permitted a sort of victory for those individuals in the business that have successfully created, built and maintained investment companies. Similarly, the regulation has offered protection to shareholders so that the services of the industry remain attractive. The prosperity of the investment company industry may be easily contrasted with the unhealthy condition of other financial services. It is not without irony, however, that much of this success is the result of an early history that included an era of widespread abuses and the reasonable legislation that was to follow. FFH

The preceding article was edited from a research paper prepared by Mr. Campbell. In preparing the material, Mr. Campbell used the following resources. They are recommended reading for more detail on the mutual fund industry and the Investment Company Act of 1940.

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The Tale of the Tape

In the 1860s, Wall Street recognized the telegraph as a wondrous device as more and more new companies issued stock to raise capital. The Street's real bonanza, however, came when it modified the technology for its own use.

By T. Patrick Harris

In a staccato burst, the data erupted from the hard wire array. Relays could be heard opening, closing, opening again. The crackling speed and technological wonderment struck the onlookers. Even the bearded technician appeared to be intimidated by this electronic marvel, for the encoded message he sent read: "What hath God wrought?"

One hundred and fifty years ago, Samuel Finley Breese Morse tapped out the world's first long distance telegraph message, connecting Washington, D.C. and Baltimore. With the successful transmission of his pious message the world changed forever. In the forefront of industries most changed by the telegraph—and one of the very first commercial sectors to "spin off" and adapt this new technology were the capital markets of America.

The telegraph, a dusty relic now compared with telephone, fax, and satellite communications, nonetheless remains one of mankind's greatest inventions. No longer did it take days, weeks or months for news to travel through the world. In 1844 communication between New York and Philadelphia took days. The telegraph reduced that time to 15 seconds. The world of capital markets took note almost immediately.

Profound Impact on Capitalism

The financial industry first embraced this technology by issuing shares in start-up telegraph companies. Twenty years after the Washington—Baltimore transmission, Wall Street would adopt the technology in a different manner, by changing it to meet their specific, information needs on the price of gold.

The father of the stock quotation machine is Dr. S.S. Laws, an inventor and academician from Missouri who was the first president of the New York Gold Exchange.

According to "The Telegraph In America" an historic record of the industry published in 1879, the first telecommunications system in the financial world was created just after the close of the Civil War. Known as "The Gold Reporting Telegraph," or "Gold Indicator," this New York City telegraph was used exclusively for the communication of gold prices to a network of paid subscribers in lower Manhattan, and was created by an academician-turned-entrepreneur, a Dr. S.S. Laws. The equipment was the direct predecessor to the familiar, glass-domed stock ticker.

In 1861, Dr. Laws was president of a Presbyterian church college in Missouri. When the college was taken over by the Northern army for Civil War purposes, Dr. Laws resigned, went to Europe, returned to America and took up residence in New York in 1863. At that time, he was already an accomplished technician in the new world of electronics, having been first a student of the field while attending Princeton.

Dr. S.S. Laws' Gold Indicator, the first visual quotation machine, circa 1866.

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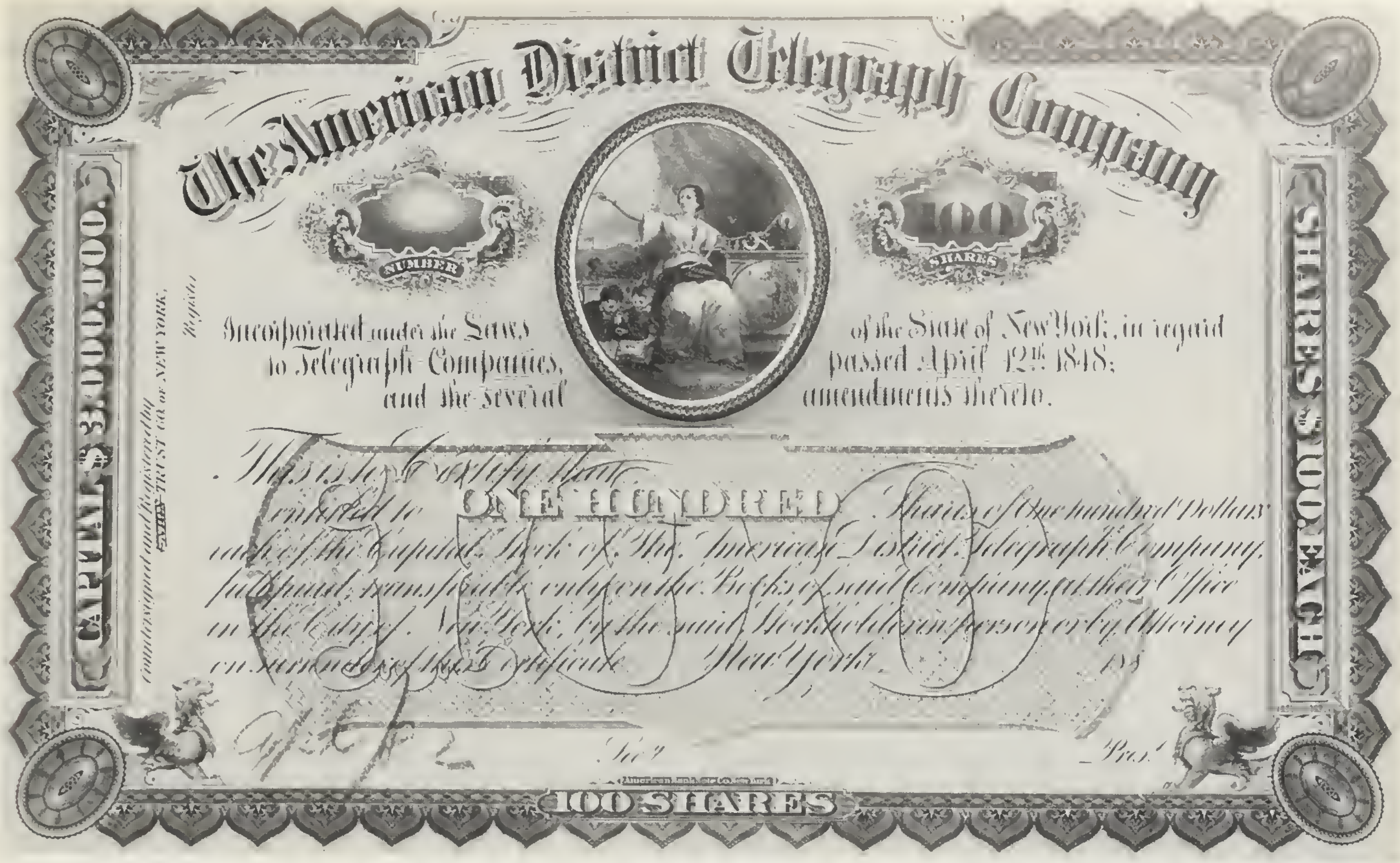


The American District Telegraph Company was founded in 1872 as a private, subscribers-only telegraph service. Residents or commercial subscribers paid $2.50 per month for a four-message service wired to a central telegraph station. From their home or business, subscribers could "speed dial" four messages, sending for the police, a messenger, a fireman, or the family physician. Starting with one station and four subscribers in 1872, the firm had 2,000 customers in 1874, and 4,500 by 1878 serviced from 21 central stations. Certificate courtesy R.M. Smythe.

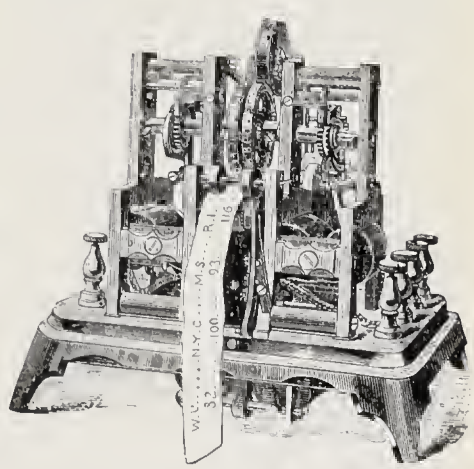
According to "The Telegraph in America", when Dr. Laws returned to America, he embarked on a vocational course which was new for him, a career on Wall Street: "In assisting the business of a relative he had frequent occasion to transact business in the Exchanges, where he soon became known for his tact, prudence, and general ability. So recognized had this become, that upon the organization of the Gold Exchange, he was elected its Vice President, thus becoming its acting presiding officer. He had thus the amplest opportunity to become familiar with its operations.

"While thus serving as the presiding officer of the Gold Exchange Dr. Laws, following his mechanical instincts, devised an instrument, which, by a mechanical device operated from within the gold room on a doubled-faced indicator — one face of which was visible to the street and the other to the gold room, he had announced, not only to the members of the Exchange, but also to interested, and often highly excited crowds outside, the varying state of the market..."

Dr. Laws' "Gold Indicator," as it was popularly known, brilliantly adapted telegraph technology from an audible system to a visual medium. Simply, his device was composed of three revolving drums, driven by a combination of electric current and magnets, encased in a wooden box. Around the faces of each wheel were whole numbers and the third being, uniquely, fractions by eighths.

Befitting the image of a man obsessed by his creation, Dr. Laws resigned his position on the Exchange in order to dedicate his time exclusively to the development of his invention. Apparently, however, he was not the stereotypical inventor with his mind solely in the laboratory. He was, after all, a Wall Street man and when he was finally granted a U.S. patent on his device, on December 31, 1866, he had also managed in the process to secure contracts with over 50 New York brokers to install Gold Indicators in their offices.

Technologically, like the telegraph lines and services of the time, Laws' indicators were all connected on a



The "Calahan" version of the quotation printer (minus the familiar glass dust cover) was a combination of Laws' vision and Calahan's technology, circa 1869.

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single circuit and operated by a single, central keyboard which alternately opened and closed the circuit.

His creation was a tremendous commercial success, and competition soon appeared in his wake with knock off gold indicators being marketed. But by then, Dr. Laws had taken his "visual telegraph" onto another tack: a print-out on a continuous paper tape. He purchased a minor print-wheel patent, created some ten years earlier but which had no application at the time, and the "Laws Printer" was underway. In the same period, he also conceived of a manner to implement perfect synchronism along a series of linked telegraphic receivers, which was vital in the distribution of time-sensitive information among competitive brokers.

But Dr. Laws had his limitations.

The mission and guts of the telegraph — rapid, long distance communications driven by electro-magnetic energy — is as vital now as it was 150 years ago.

His business instincts, and successes, were great but he did not have the technical prowess to move the project into the final, physical production. Consequently, he engaged the services of a young, but talented "mechanic" as a consulting engineer to build his equipment: Thomas Alva Edison.

"The Telegraph In America" published just ten years after the Gold Indicator came on line, notes the significance of the paper tape machine: "The business of exchange in gold became completely revolutionized. In a little over a year about 300 offices were supplied with indicators, and the messenger service,

The Last Message of Professor Morse

The world celebrated Samuel Morse's 80th birthday.

In New York City, a statue of the inventor was unveiled. Speeches were given around the country in his honor, and, on the night of his birthday party, telegraphs around the world stood by silently to receive his message.

This deeply religious man had earned the world's accolades and affection for his genius, and, in one tribute, for his "almost ideal life of heroic honor, intense vigor, and intellectual brilliance." For his part, Professor Morse, as he was universally known, piously asked "what hath God wrought" with his invention and hoped it would further the cause of world peace through better communication.

An idea of the esteem in which he was held comes from a description of his last telegraphed message, sent on the evening of his 80th birthday on June 10, 1871.

In "The Telegraph In America," a report published in 1879, the event was described as follows: "Mr. Orton now announced that the hour of 9 p.m. had arrived, and that all the wires of America were connected to the instrument before him. It was a sublime thought, that the touch of a finger on a tiny key, in the New York Academy of Music, would so soon vibrate throughout the continent. The audience seemed to see the 10,000 anxious faces looking down on the instruments in every town of the new world, waiting the expected sound. It caused intense silence. Miss Sadie E. Cornwell, a skillful operator and a young lady of much attractiveness of person and manner, who had been selected to transmit the message, was then conducted to her place by Mr. Applebaugh, and sent the body of the following dispatch, the signature to which it had been arranged that Professor Morse should himself transmit, every operator watching the manipulation in a stillness which was most impressive.

"The message was as follows:

Greetings and thanks to the Telegraph fraternity throughout the world. Glory to God in the Highest, on Earth Peace, Goodwill to men.

—S.F.B. Morse

"At the last click of the instrument, as Miss Cornwell finished the transmission of the body of the message, Professor Morse, escorted by Mr. Orton, approached the operating table and took his seat. As his finger touched the key, tremendous cheers rung through the house, but were stopped by a gesture from Mr. Orton. Again that impressive silence fell on the house. Slowly the sounder struck "S.F.B. Morse," the professors hand fell from the key, when, as by a common impulse, the entire audience rose, and a wild storm of enthusiasm swept through the house, which was continued for some time, ladies waving their handkerchiefs, and old venerable men cheering as joyously as the youngest. Professor Morse, visibly affected, resumed his chair behind the president, and for several moments pressed his brow with his hands. The whole scene was thrilling and impressive. The tableau furnished a subject seldom awarded to an artist. When the excitement and applause had subsided, Mr. Orton said:

"Thus the Father of the Telegraph bids farewell to his children."

The current was switched off from the dais and routed to a receiver behind the scenes. Immediately along the wires messages began pouring in, from Bombay, Singapore, Philadelphia, Ottawa, Havana. They would continue arriving long after the reception ended, sending prayers and praise all through the night and well into the morning of the next day. FFH

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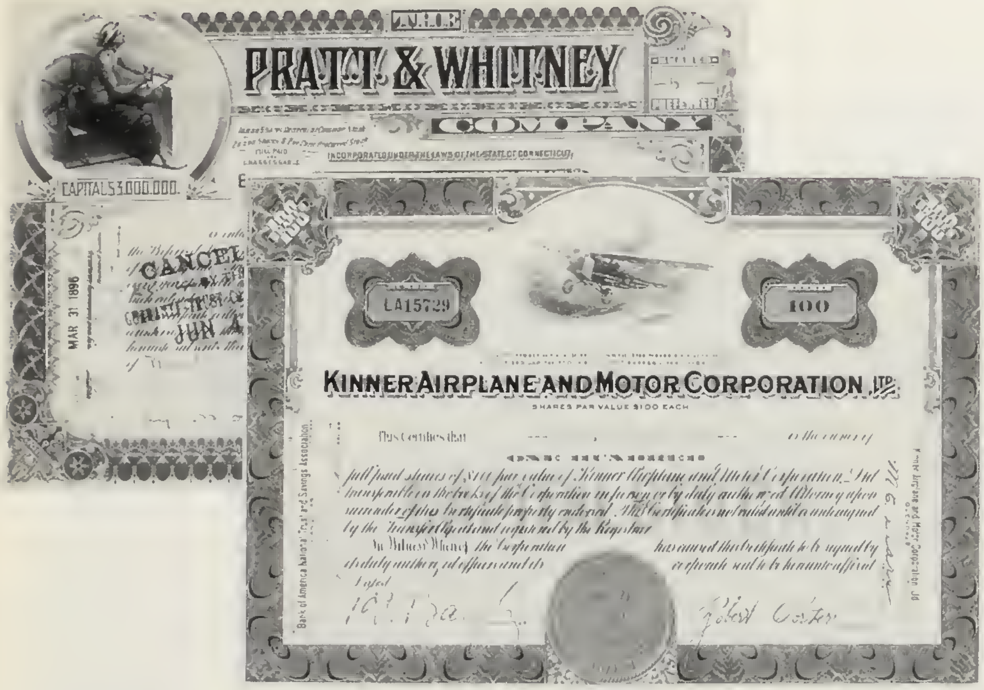

Pratt & Whitney (CT) 1896. 100 Shares. Orange. Semi-nude man with winged hat at drafting table, machinery behind. Signed by Francis Amos Pratt as president. Condition is extremely fine. Price: $250. When ordering, please reference C1941-Pratt.

*Kinner Airplane Co. Founded in 1919, by 1936 Kinner had the capacity to produce 300 airplane motors and 25 planes a year. The single-wing airplanes with fixed landing gear and a radial air-cooled engine were somewhat reminiscent of Lindbergh's Spirit of St. Louis. Here at Smythe, we have seen only a few examples of this handsome aircraft certificate and they have brought strong prices at auction. **Kinner Airplane and Motor Corporation** (CA) 1936. 100 Shares. Color is olive with an airplane vignette. Certificate produced by Jefferies Banknote. Condition is extremely fine. Price: $225. When ordering, please reference C1941-Kinner*

The Pratt & Whitney Story

In 1860 Francis Ashbury Pratt (1827–1902) and Amos Whitney formed a company to manufacture quality machine tools. Pratt had a passion for precision and an abiding interest in the concept of interchangeability. He played a vital role in standardizing measurements in both the United States and Europe. Pratt's reputation for uncompromising precision helped the company obtain orders for machine tools and guns, and these early successes provided the foundation for Pratt & Whitney's entry into the aircraft manufacturing business.

In 1896, two young brothers by the name of Wilbur and Orville Wright were just beginning to develop an active interest in experimental aeronautics. They were inspired by Otto Lilliwenthal who was actively gliding down German hillsides. At that time the Pratt & Whitney factory produced precision gears and machine parts, all interchangeable and made to exacting standards. The age of flight was just beginning to dawn.

By the 1930s, Pratt & Whitney, now merged into United Aircraft and Transport, was a giant in the aviation engine field. Along with Cutiss-Wright, Pratt & Whitney had a virtual monopoly on U.S. military aircraft engine contracts. World War II erupted, making incredible demands on the company. Over 300,000 military aircraft were built between 1940 and 1945, and many of the engines came from the factories of Pratt & Whitney.

As Field Marshal Albert Kesselring pointed out "Allied air power was the biggest single reason for Germany's defeat." It was the knowledge, experience and hard work of the aircraft companies like Pratt & Whitney that provided the engines that powered the planes that won the war.

Telegraph Company Certificates For Sale

Auctioneer and dealer R. M. Smythe is offering the following telegraph company stock certificates for sale. To purchase the certificates, call Smythe at 1-800-622-1880. In New York, call 212-943-1880. All certificates are guaranteed. For details call Smythe. Photographs of the rare Bankers and Merchants Telegraph Company certificate, and the Commercial Cable Company certificate, appear on page 27. The American District Telegraph Company certificate appears in the story "The Tale of the Tape."

Bankers and Merchants Telegraph Company (NY) Circa 1885. Capital Stock. Brown. Mercury flies above the globe touching a Cadeuseus to a telegraph key. Cherubs, telegraph wires. This is an American Bank Note Company archive specimen and changes to the state of incorporation and the transfer agent have been indicated in light pencil Condition is extremely fine. Rare. For sale: $350.00 Reference number: 7001.

Bridgton Telegraph (ME) 1877. Three shares, capital stock. Red and blue. Eagle and shield. Condition: Extremely fine. For sale $100. Reference number: 7002.

American District Telegraph Company (NY) Circa 1885. Capital stock. Brown. Woman seated by telegraph instructs youths. American Bank Note Company proof on India paper. Condition: Extremely fine. Rare. For sale: $400. Reference number: 7003. (Note: Proofs were shown to clients for final approval before the regular print run began. At left is a small note indicating that the design was approved except for the transfer agent.)

Pedro Segundo American Telegraph & Cable Company (NY) 1886. Three shares. Capital stock. Brown, red underprint of title and globe. Hand holds lightning. Serial number three. Homer Lee Bank Note. Condition: Very fine plus. Rare. For sale: $750. Reference number: 7004.

New York Mutual Telegraph. (NY) Circa 1900. Shares, capital stock. Brown. Eagle and shield. Cherubs on columns with Stephenson and Morse inscriptions hold torches, telegraph wires. American Bank Note Company archive specimen. Condition: Extremely fine. For sale: $300. Reference number: 7005.

Commercial Cable Company (NY) Circa 1885. Shares, capital stock. Green. Cables stretch across the Atlantic. American Bank Note Company approval proof on India paper mounted on card. Condition: Extremely fine. split at the top of the card only, not effecting the certificate. For sale: $250. Reference number: 7006.

Southern Telegraph Company. 1882. $500 bond. Mercury flies above the globe touching a Cadeuseus to a telegraph key. Cherubs. Telegraph wires. Cherub with wings, below. American Bank Note Company approval proof on India paper. Condition: Pinholes, minor edge splits, otherwise very fine. Scarce. For sale: $300. Reference number: 7007.

Morse's farewell message, 1872.

essential to the former system, was, much to the disgust of a regiment of outwitted boys, at an end."

When Dr. Laws expanded his business to link Philadelphia's traders with New York, he also created a business axiom for the distribution of data that is followed by such preeminent technology-based organizations of today like the National Association of Securities Dealers, owners of the computerized Nasdaq Stock Exchange. Over wires owned by the Bankers and Brokers' Telegraph Company, Laws would transmit, without previously signalling, the sales of gold as they were made. The result was that all 30 subscribers with Laws Printers in their offices knew of sales and price data at the same time.

Today, Nasdaq distributes data under the same principal. Curiously, in the 1860s it took 15 seconds for the New York to Philadelphia transmission. Nasdaq members today must post certain sales within 15 seconds for distribution on their electronic network.

The Glass-Domed Ticker

On August 27, 1869, all of Dr. Laws' interests were sold to the Gold and Stock Telegraph Company. Among his assets were, besides numerous valuable patents, seventy-

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The Edison Stock Ticker

Thomas Edison is best known for his light bulb, but in reality he owes his fame and fortune to the telegraph — and a broken stock ticker.

In 1862 Edison rescued a small boy from a railroad track. The boy's father had no funds to reward Edison but out of gratitude taught the future inventor telegraphy. He quickly became one of the best and fastest telegraph operators in the country and used his salary to purchase the latest writings on the new field of electrical sciences.

In 1869 Edison, aged 22 years, traveled to New York City to find work. He wound up on Wall Street. While he was waiting in a broker's office for an interview one of the firm's telegraph machines broke down. There was no one there to fix it, so Edison jumped in, repaired the machine and wound up being offered an even better job than the one he had been waiting for!

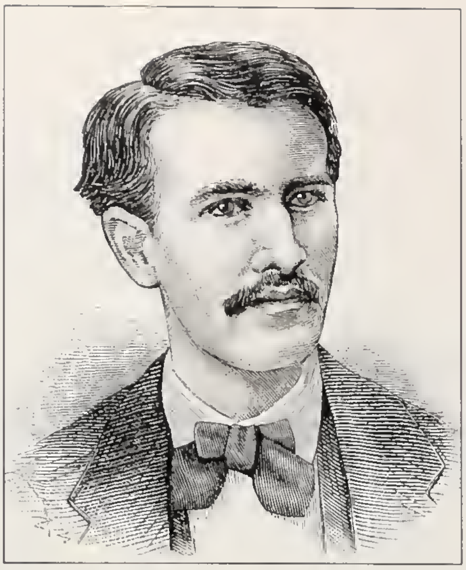
A few months later he set out on a course of being a professional inventor and began with a device he created while working on Wall Street — a stock ticker.

He knew he had a good product and presented it to the president of a large brokerage. However, he lacked the confidence to demand the $5,000 he wanted so he asked the president to make him an offer. In what perhaps speaks volumes about Wall Street's abilities to manage its own money, the president offered Edison $40,000.

At 23, he was in business. And the Edison Stock Ticker would be a common sight at brokerages for the next 70 years. FFH

five printing instruments, of which thirty were in actual use and generating income, and 140 revenue-generating Gold Indicators in New York City.

The Gold and Stock Telegraph Company, incorporated in August 1867, had its origins in a telegraphic



Thomas A. Edison

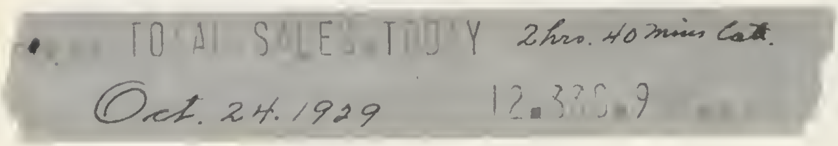
device created by Edward A. Calahan designed to print sales data of the New York Stock, Gold, and other exchanges, according to "The Telegraph in America." The merging of the businesses of two companies, and their technology, led to the familiar glass-domed stock ticker. While both the Laws Printer and Calahan's creation were modified telegraphs, the "Telegraph in America" noted their differences: "The device of Dr. Laws had a single type wheel, which, by the aid of two electro-mag-nets and wires, could be made to rotate, backwards or forwards, at will, thus rapidly reaching the letters desired. Mr. Calahan devised the plan of employing two wheels—one for figures and fractions, and one for letters, a direct forward movement for both, and the ordinary step by step motion...The first instrument constructed by Mr. Calahan was not successful."

By 1868, however, the company had hired a skilled technician to implement the necessary changes and had also gained the financial support of Elisha W. Andrews. Andrews was to become president of the company and, later, president of another important firm, the American District Telegraph Company of New York.

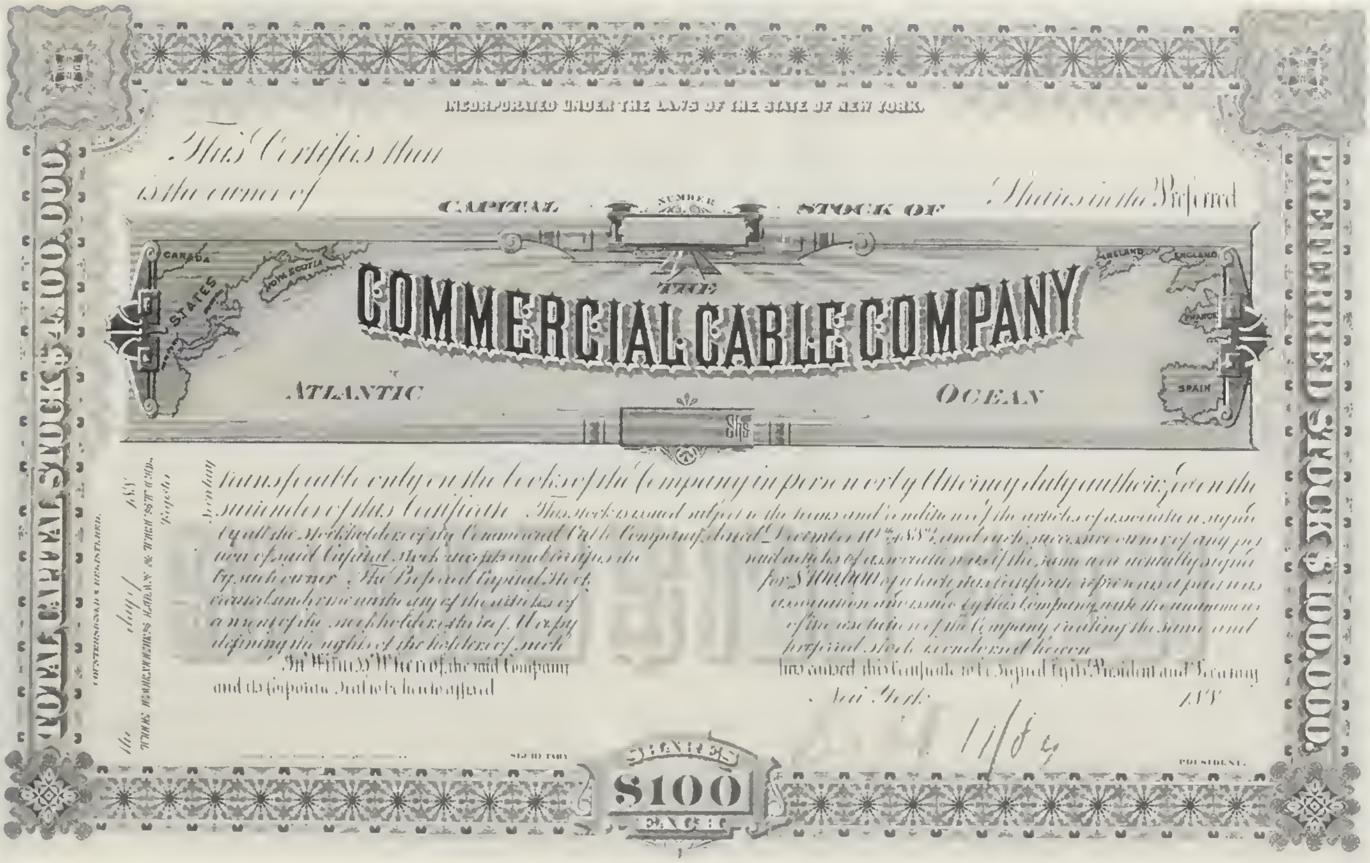
As a result of the merger, expanded capital and technological changes, the now-famous glass domed ticker was created. The machine was described in the 1870s as "compact and symmetrical, was operated by three wires; was covered with a neat glass shade, which, while preserving the mechanism from dust, enabled the action to be seen; and was planted on a small and appropriate shelf, the paper ribbon with its clear bold record in open faced Roman type flowing through an orifice beneath the glass shade. The Calahan is regarded as the simplest and most reliable instrument of the kind in the service."

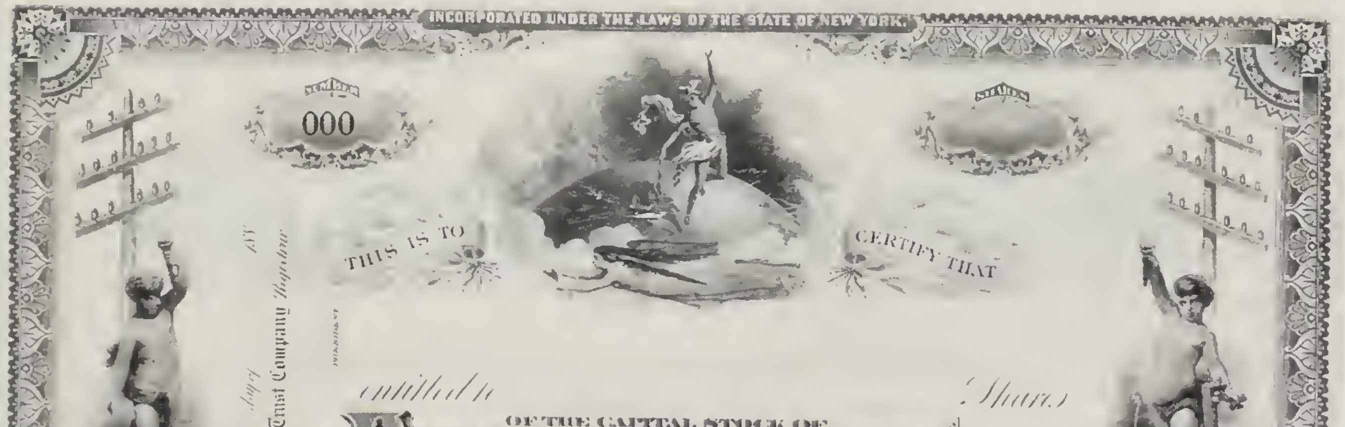
The machine today is probably the most famous symbol of America's capital markets.

Unknown to most, it is also a simple variation on a theme, of Samuel Morse's great contribution to mankind. FFH



A relic from "the day the tape ran late."
From the collection of the Museum of American Financial History.





The stock certificates pictured here are provided courtesy of R.M. Smythe & Co. The Commercial Cable Company certificate is a printer's proof for company approval. The rare Bankers and Merchants certificate is a specimen. When bank note companies print stocks or bonds for their customers they often print a few additional copies for various purposes, such as reference. Sometimes the extras are sent to customers who use them for detection of counterfiets. The extra, or specimen copies usually have the word "specimen" printed into the signatue blocks and they have "00000" serial numbers so they cannot be misrepresented. For more information on the Bankers and Merchants, or the Commercial Cable Company certificates, which are for sale, see page 23 of this issue of Friends.

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THE COLLECTOR

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The Stock That Set Off the 1907 Crash

A second look at what appeared to be some insignificant certificates yielded a previously unknown autograph.

By Rüdiger K. Weng

The following example shows what sorts of important and surprising discoveries can be made in our area of collecting, even in these competitive days.

Recently, while studying the history of the American Exchange, I took a close look at the background of the great 1907 panic. It was mainly triggered by the collapse of the United Copper Company stock price.

This company was founded by Frederick Augustus Heinze (1869-1914), who while still quite young was already considered to be one of the three great copper kings. (The others were William A. Clark and Marcus Daly.) His battle against the Standard Oil Group for control of Amalgamated Copper has become famous.

In 1906, he founded the United Copper Company as a holding company for most of his mining possessions. In addition, Heinze took control of several banks and trusts. However, some of those financial institutions were dangerously undercapitalized.

Within a very short time, investors' trust in Heinze's financial transactions sank, not least because of constant attacks from the Standard Oil Group. United Copper plunged in value, less than a year after its founding. A run on Heinze's banks began as a result, which, because of their lack of liquidity, were unable to handle the onslaught of customers demanding the return of their deposits. When the first of Heinze's banks closed, the panic extended to the other New York trust-banks.

With the nation's economy facing disaster, President Theodore Roosevelt had to ask John Pierpont Morgan for help. J.P. Morgan, probably the most powerful man in America at that time, acted quickly by making enough money available to restore trust in the banking business and to bring on a gradual economic recovery.

Because of the crash, legislation was instituted which required American banks to have adequate cushions of capital. Furthermore, trust-banks like the ones owned by Frederick Heinze were outlawed.

I was aware of this background information when I discovered three shares of the United Copper Company among several insignificant mining stocks offered by a dealer. Taking a second look, I tried to find the signature of F.A. Heinze, which I was completely unfamiliar with.

I had never before seen a letter, share or any other document -- neither as an original nor as a copy in a book -- with the signature of the copper king, who died at the young age of 45. More-

The Stock Market Panic of 1907 -- And The Death Of The Copper King

By T. Patrick Harris

The death of the copper king was a sideshow melowdrama that played during the great panic of 1907, while the main event featured classic bear market scenarios common to the late nineteenth century: intense speculation, share price manipulation, insider trading — and long lines outside New York banks. The play's hero: none other than John Pierpont Morgan, who planned and executed the stabilization of the market and halted the bank runs.

In the winter of 1907, the market was unsettled by inflation and tightening interest rates. The Dow's high water mark for the year was set early, on January 7, at 96.37. A lethargic winter ended suddenly, on March 14, when the Dow dove a startling seven percent in that single day. It was a harbinger of things to come.

By summer the market had not recovered from March's debacle. Rails were now under heavy governmental pressure and, in London, prices of American railroads slipped as stocks were liquidated. In a dramatic gesture, which some say precipitated the panic, Judge Kenisaw Landis fined Indiana Standard the vast sum of $29 million! In this bearish market, the "Copper King" Frederick Augustus Heinz tried a risky move: a corner.

Less than four weeks later, on September 6, the selling began and copper was crushed. Ore prices collapsed, stocks were dumped, selling picked up momentum, and the bank runs began - - and spread. New York's financial district began to panic as issues were pounded relentlessly, week after week. Finally, a consortium led by J.P. Morgan halted the hysteria on November 5, backed with large deposit credits from the U.S. Treasury, English gold, and cash from other bankers.

The Verde Grande Company never recovered from the 1907 debacle; this certificate was issued as the panic began.

But the slaughter was brutal: shareholders in United Copper saw their investment dive from $84 to $10 per share in a day; Amalgamated, another great copper, went from $122 to $42; Westinghouse Electric plummetted from $154 to $32; the Pittsburgh Stock Exchange was forced to close.

By December many of the once-mighty players were swept away in poverty and disgrace — among them F. Augustus Heinz, the youthful Copper King, who risked and lost his millions with the fall of United Copper. The year ended with some gruesome Dow numbers: an opening at 94.25, high on January 7 of 96.37, hitting bottom at 53.00 on November 15, and finishing the year at 58.75, for an overall decrease of 37.7 percent.

Ironically, only the year before, copper was the undisputed ruler of the market. In 1906 and 1907 copper eclipsed the significance of, say, the role of biotechnology or high tech issues in today's markets. For instance, when the vast mother lode of the famous Anaconda copper mine was discovered, the announcement drove the Dow to an all- time high, propelling it over the 100 mark for the first time ever. Later on, oil and uranium would have great moments, but in 1906 and early 1907, copper was the king.

What was behind the great copper craze? Unlike the theoretical uses of biotechnology, copper had a real and vital function: the carrier of the electrical current. An all-electric city was dreamed of, and electric lights — carried by copper-cored electrical wires — were illuminating homes, office buildings and streets. Copper was the core in linking telegraph stations, was vital to new transportation systems, and drove the mighty turbines and dynamos that generated power.

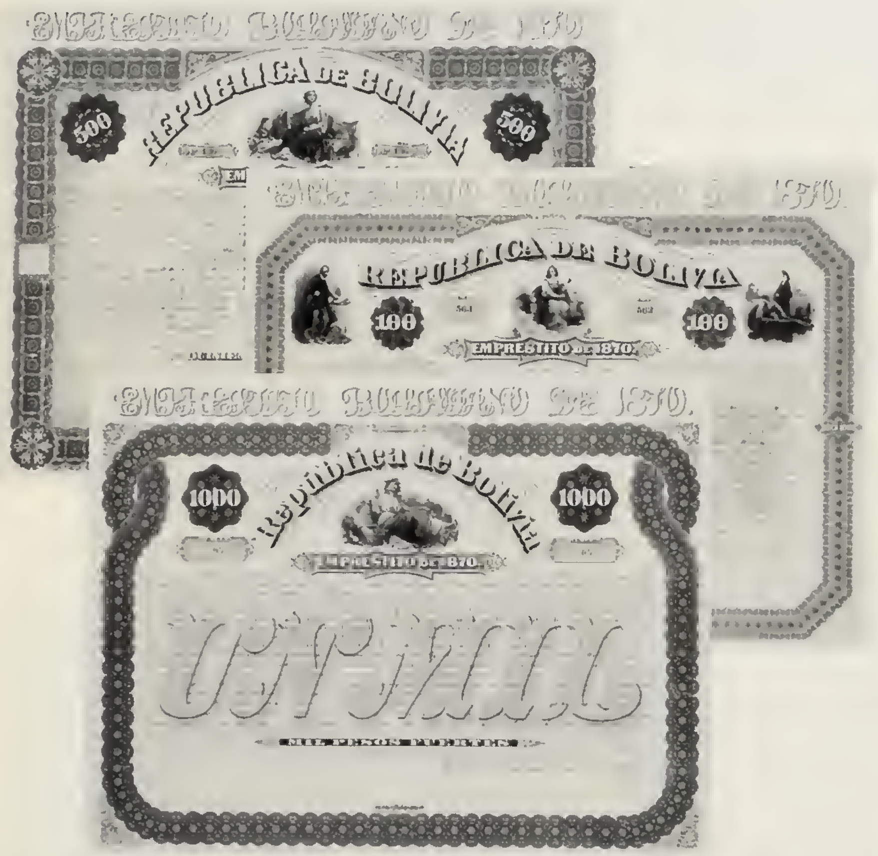
over, the Heinze signature was considered (until then) one of the few "secrets" in the field of collecting financial autographs.

According to the signature's appearance and the historical background, the almost-illegible signature of the president had to be Heinze's. I immediately bought the stocks from the dealer. However, only after time-consuming research was I able to find a comparable document in an archive which proved that the signature on the United Copper was without doubt that of Frederick Augustus Heinze.

Without delay, I added this historically significant paper, which furthermore was given out at the time of the great crash, to my collection. A collector in the U.S. and another in Germany own the other two copies. Since the appearance of Heinze's signature is now known, it is not impossible that additional stocks with Heinze's signature will surface.

(Editor's note: As this issue went to press six more Heinz signatures have been discovered.)

Rüdiger K. Weng is a dealer from Krefeld, Germany. He is also a collector, and is especially interested in American stocks and bonds with historical importance. FFH



Bolivian bonds. In 1870 the Republic of Bolivia directed the American Bank Note Company in New York to engrave high-quality steel plates for 100, 500 and 1,000 Peso bonds. They approved the designs and authorized the printing to begin. A revolution in 1871 interceded and the bonds were never issued. Carefully stored for over 120 years, they are as bright, colorful, fresh and clean as the day they were printed. Impressive in size (approximately 16″ by 24″) they are magnificent framed or in a display. **Republic of Bolivia**, 1870. 100 Peso bond is blue, and complete with all 40 coupons. Vignettes: Justice, man with book and globe, Father Marquette and Louis Joliet, the French explorers of the Mississippi River. (Why they appear on a Bolivian bond is a mystery to us.) American Bank Note Company. Unsigned. Condition is pristine, extremely fine. Price: $25. Please reference item C1081. 500 Peso bond is brilliant orange. Vignette: Female allegory representing art. Safe, below. Pristine, extremely fine condition. Price: $20. Please reference C1082. 1000 Peso bond is green. Vignette of female allegory representing commerce. Extremely fine, pristine condition. Price: $30. Please reference C1083. **Special Offer: Complete set of all three Bolivian Bonds: $50. Reference C1084.**

Kentucky and Great Eastern. This company was organized in 1872 with the intent to build a 146-mile railroad between the coal and iron mines of eastern Kentucky and West Virginia. The certificate's central vignette features one of the great pioneer personalities of American history, Daniel Boone, a folk hero quite familiar to everyone in Kentucky and Virginia. Boone helped settle Kentucky in the 1760s and 1770s. The vignette depicts the rescue of Boone, at Boonesborough, on April 24, 1777. The hero is Simon Kenton, a Virginia-born associate, who saved Boone's life three times during an Indian attack on that day. Unfortunately, investors never came to the rescue of the organizers of the railroad, and these bonds were never issued. Attractive and a popular collectible, these bonds are ideal for framing! **Kentucky & Great Eastern Railway** 1872. $1,000 bond. Color is green, vignettes depict Boone's rescue, a steam locomotive, and a Southern tobacco planter. Produced by the American Banknote Company. Unissued, coups complete below. Condition is extremely fine. Price: $65. Please reference number C1066.

COLLECTOR'S MAIL BOX

Preservation Tip

All stock and bond collectors are faced with the same dilemma — how to store their collection. Albums are bulky and difficult to handle. Loose storage is dangerous. Oily plastic pages and sleeves can cause serious damage with time.

We believe the answer to this problem is the modern Mylar (R) holder. Banknote collectors have used them for years, and we use them to protect the items in our auctions and to store our own better pieces.

These lightweight, crystal clear holders will safely protect certificates up to 23 inches by 34 inches. Sealed along three sides, they are open along one long edge for easy insertion and removal.

Editor's note: The above collecting tip arrived courtesy of R.M. Smythe, who also sells these folders. Have a collecting tip? Drop a note to the Editor and share it with your fellow collectors on the pages of Friends.

Ships in the Night

Dear Editor,

A friend and business associate introduced me to the world of scripophily about a year ago and now I'm hooked! I've started a modest collection of American maritime stock certificates and am in the market to purchase more. Can someone out there help me? I'm specifically interested in New York, New Jersey and New England ship and yacht manufacturers who were active in the mid-1800s into the turn of the century.

Thank you!

Eric Cordis
Post Office Box 978
New York, New York 10008

Why Stocks Split

Dear Editor,

I am a finance professor at Georgetown University in Washington, D.C. and hope you and your readers can help me with a research project on stock splits. In essence, the academic community does not at this point have a great handle on why companies split their stock in terms of price and liquidity. Hopefully, this research project will shed some light.

As part of my research, I'd appreciate hearing any stories or anecdotes on stock splits from readers of *Friends.*

As a point of historic interest, stock splits seem to be a 20th century phenomenon, starting with a change in trading policy by the New York Stock Exchange in October 1915. After October 1915, stock trades were priced in dollars versus par value.

I can be reached via E-Mail at: ANGELJ@GUNET.GEORGETOWN.EDU or by telephone at 202-687-3765 or FAX at 202-687-4031.

Jim Angel
Georgetown University
Room G4 Old North
Washington, D.C. 20057

Andrew Lloyd Webber?

Dear Editor,

I recently found a song about Wall Street dated 1894 and thought you may be interested in publishing it just for fun. It's not all that funny or pithy, but the fellow is strolling down Broadway exactly 100 years ago. Did he walk in front of your office?

Eric P. Newman
St. Louis, Missouri

Editor's note: The cover sheet to William Jerome's "The Man That Broke The Brokers Down In Wall Street" dedicates the song to Albert Johnson of New York City. Any clues to the financial side of this Mr. Johnson?

The Man Who Broke The Brokers Down In Wall Street

A happy individual, without a single care;
With an independent air, causing everyone to state!
The brokers and the bankers, they are pulling out their hair;
In Wall Street I have raised an awful flare
Among the famous little "Bulls and Bears!"

Verse Two
And ever since the day I chanced to call the lucky turn,
For my company ladies yearn, their society I spurn.
They thought I was a little lamb, with plenty yet to learn,
Until the day I broke up each concern,
And now I've lots of money, boys, to burn!

Chorus:
And when I walk along Broadway, I keep the sunny side;
With lots of Yankee pride and a very English stride!
The ladies hearts go pit a pit, and people all take off their hats
To the man who broke the brokers down in Wall Street!

Texas Bank Belle

Dear Editor,

I recently found some information on Anna Martin, founder of the Commercial Bank of Mason, Texas. Anna Martin was the first female bank president in Texas and quite possibly the first woman bank president in the United States.

The story of the bank is interesting not only because it was created by a woman, but also because it first opened in the back of a general store. The store, which was owned by Martin, would hold cattlemen's money (gold in those days) in the safe when they came to town to buy cattle. The bank, as The Commercial Bank, formally opened in 1905 and remained unincorporated until the late 1950s or 1960s and it was one of the very last unincorporated banks in the State of Texas. Interestingly, it did not have to close its doors in the 1930s!

My parents remembered Anna Martin well. My mother worked in a dry goods store and liked to tell the story of when "Miss Anna" would come to buy cloth. She would have them cut off a swatch of cloth and she would then put it in her mouth and chew on it for a while to see if the colors in the material were fast and would not run!

Pat Ellenbach
Mason, Texas

COLLECTOR'S MARKETPLACE

CORRESPONDENTS WANTED: *Friends of Financial History* is seeking knowledgeable collectors to write reports of shows and auctions around the country. Articles will be published quarterly in "The Collector" section of *Friends*. Professional writing experience is less important than knowledge of collecting. Dealers and / or hobbyists are invited. Write or telephone Patrick Harris, Museum of American Financial History, 26 Broadway, Room 200, New York, NY 10004. Telephone: 212-908-4519 / Fax: 212-908-4600

SHOPPING GUIDE

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International Report

By John E. Herzog

Flying to London on the night of July 4th provided me the enjoyment of seeing many fireworks from the air. Strengthened by a rest after the long flight, I entered the English scripophily world at the annual general meeting of the International Bond and Share Society. I was looking forward to seeing old friends, and meeting some new ones.

The first surprise was to see the President, Brian Mills, hobbling along on crutches with a leg broken from jumping off a barge, in France, where Mr. and Mrs. were enjoying an avalanche of fine food and wine. The culinary images that came to mind of dining aboard a French barge were delightful but changed, sadly, when we entered, back in London, the Ski Club with nary an hors d'oeuvre in sight.

The meeting began and all appropriate motions and seconds were observed to the letter, reminding me of the startling differences between the London Society and some of the less well attended meetings in the colonies. Then there was an announcement of awards for long service to two lovely gentlemen and founders of the Society, Patrick Berthoud and Donald Ross, who had died. Diana and I knew them both well, and I remembered meetings and dinners of long ago. Seventeen of us sat calmly during the report of all the things we had read in the Journal, notably Bruce Castlo's services as auctioneer (an event I was impatiently waiting for) Howard Shakespeare's familiar reminder to send articles for the Journal, and assurances that the accounts of the Society were in order by Geoff Metzger, who also provided some revealing insights on how to achieve success as a Society chapter. Geoff mentioned that there was still a loan outstanding to the Canadian chapter for something under a thousand pounds. In a flash, it became clear that to have a successful Society chapter, complicated By-Laws were needed so they could be amended now and then, based on majorities and pluralities too confusing to mention. This epiphany came to me just a couple of weeks following the Annual General un-Meeting of the American chapter in Memphis, where one person who came had to eat all the pastry and drink all the coffee!

Mike Veissid gave the membership report — still at 500, with no big increase in sight, but an impressive figure. I gave a short report announcing that Haley Garrison had agreed to assume the presidency of the American chapter, that Richard Gregg had been asked to serve as vice president, and that a suggestion had been made to hold the Annual General Meeting at Strasburg.

There were short reports, first from the Canadian society confirming the efficacy of taking a loan, and from the South African society, followed by elections, and finally, by the auction. Of 28 lots offered, all but two sold. The high sale was 25 English pounds for Cape Town Consolidated Tramways & Land Co., 1906, then Cape Commercial Bank, 1856, for 22 pounds, and finally, Phoenix Sheba Syndicate, 1880, rose smartly as far as 15 pounds.

It was a pleasant meeting, and there were some dealer offerings afterwards. There was also a beautiful collection of Russian loans in color Xerox format shown by Peter Boag, which was well received. I was very pleased to have attended, and can recommend a meeting to anyone going to London. Check your calendars! FFH

"100 Minds That Made The Market" Is Fast, Easy and Recommended

Kenneth L. Fisher's "100 Minds" is a fun and educational presentation of some of the great visionaries, bankers, brokers and even the scoundrels who shaped the capital markets of America.

In cameo biographies (only a few pages per person) complete with photographs or illustrations, Fisher portrays such industry luminaries as C.W. Barron, Joe Kennedy, Charles Ponzi, "Lucky" Baldwin, Bernard Baruch, and also some lesser-known flops, like Jacob Little, Jesse Livermore and William Crapo Durant.

"100 Minds That Made The Market" makes great bed-time reading and retails for $24.95. The hard cover tome is 464 pages and is available by calling 1-800-865-1001.

Auhor Kenneth Fisher is the founder of Fisher Investments, a 35-person research-driven boutique that manages $1 billion for large corporate and public pension plans, as well as endowments and foundations. He is also the author of "Super Stocks," published by Dow-Jones Irwin in 1984, and "The Wall Street Waltz," published by Contemporary Books, in 1987.

—*Harris*

George F. Baker: An "Old-fashioned" Banker

Looking Before Leaping Pays Off

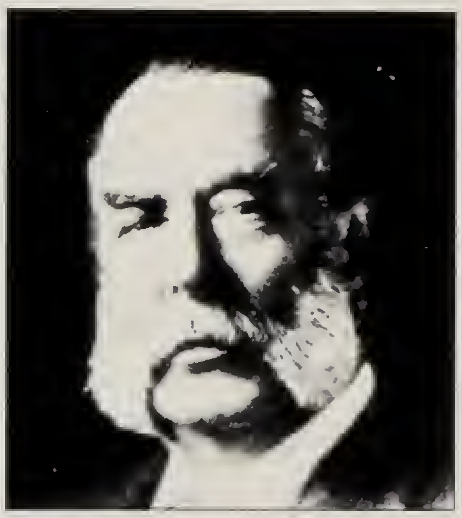
The following is an except from "100 Minds" on banker George F. Baker, who, along with his associate J.P. Morgan, was one of the most influential bankers in America at the turn of the century. Mr. Baker, who had a distinct adversion to publicity, is little-known to the American public. When he died in the 1931, he was ranked as the third richest man in America, behind John D. Rockefeller and Andrew Carnegie.

Remember the tortoise and the hare? The hare, recklessly speeding and blindly confident, raced ahead, but then fiddled around and napped, while the tortoise crawled on sluggishly to victory — as the hare dozed. Sometimes it pays to move slowly but surely. George Baker operated much like the turtle. Patient and persistent, Baker was the driving force behind New York's First National Bank from 1877 until his death in 1931, always relying on his faith in the American economy and always optimistic. In an era plagued with wars and panics, Baker withstood the worst by being prepared — and looking before he leaped.

Stout, with mutton-chop whiskers, Baker became a venerable N.Y. banker — and occasional business associate of J.P. Morgan — because of his surefooted, reliable manner and squeaky-clean character. After his death, even The New York Times noted his "unchallenged" personal integrity "in days when scandal walked unashamed in the street." No wonder he was considered an "old-fashioned" banker! Equally characteristic of Baker was his silence, perhaps explaining why his fortune far exceeded his fame. Asked once to wield his power in support of a particular cause, Baker declined, acknowledging, "I do have a lot of power so long as I do not attempt to use it."

Born the son of a Troy, N.Y. shoe merchant-turned-legislator in 1840, Baker began his banking career at 16 after finishing school, clerking for the N.Y. state banking department for seven years. His financial flair raised the eyebrows of John Thompson, a N.Y. financier looking to form a bank in 1863 when America needed funds to finance the Civil War. Invited to join the venture, Baker, 23, invested his entire $3,000 in savings for 30 bank shares, a teller's position and seat on the board of directors. Immediately, the bank undertook the lucrative business of selling government bonds to finance the Civil War, a task that provided the bank with a firm foundation for credit. Just two years' time saw the First National become America's largest underwriter of government and corporate bonds — and Baker the bank's leading lender. In 1869, he married, insisting that he and his wife live on half his income, in order to invest the rest! Later, they raised three children, one of whom, George, Jr., followed in his Dad's exact footsteps.

The first feather in Baker's cap came in 1873, when leading bankers, Jay Cooke & Co., failed, causing a run on banks. Threatened with the closure of



Baker's fame was surpassed by his fortune -- which was the way he wanted it to be.

the Wall Street-quartered First National, Baker kept his cool — amidst failing banks and closing factories — and kept the dollars flowing, claiming a panic could be cured if banks paid out their reserve. "When we stop paying it will be because there isn't a dollar bill in the till, or obtainable." From then on, Baker never panicked — he instead vowed to never sell out any borrowers and to constantly accumulate profits in good times, in order to glide through the bad. He declared, "It is cheap insurance to keep strong!"

By 1877, Baker, 37, was First National's president, which he remained until becoming board chairman at 61. The bank netted $750,000 that year and declared dividends of up to 60 percent. Stockholders rejoiced, particu-

George F. Baker *(continued)*

larly Baker, who had been steadily increasing his bank holdings! Unabashedly supporting the profit motive, he boosted dividends steadily over the years and increased bank surplus and capital regularly.

Meanwhile, as was then all the rage, Baker invested in railroads — joining syndicates, acquiring control of run-down lines, then improving and selling them for profits. He rejuvenated the Richmond and Danville line (later, the Southern Railway system), bought for $51 per share in 1882, and sold seven years later for $240! Of course, before buying anything, Baker religiously attended inspection tours on the line and afterwards, if the new owners went broke, his group re-bought and reorganized the line. In 1896, Baker — quite railroad-savvy — bought out the Jersey Central for $30 per share and sold at $160 to Morgan, who then transformed it into the Reading Line. Being consistently successful in his ventures, Baker and his golden touch were often sought by company boards — in fact, he served on over 50 (about half of which were railroads) including Morgan's U.S. Steel and several competing N.Y. banks. His key to success? Carefully take the long view, build up a property as an investment and never milk it for short-term, speculative profit!

George Baker ruled the First National with an iron fist — with foresight and constructive planning. Some said that Baker was the bank, as the two were seemingly inseparable. In his dark attire and flat-top derby, he handed over to his bank more than $3 million of his own in 1907 when capitalizing the First Security Co., a holding company for securities held by the bank. His nerves of steel assured the bank's strength during panics — which led to others' strength as well. During the 1907 panic, for instance, he met with J.P. Morgan each night in Morgan's library-turned-office to plan the economy's bailout.

But the 1929 panic caught Baker off-guard or unaware. At 89, he was somewhat set in his ways and refused to heed his son's warnings to liquidate over-valued stock, saying that the young just "didn't understand." As with almost everyone of his generation, his over-70 years' experience told him that an advance in market value was followed by a decline, and then by another advance to a higher level. (Later, Baker came to realize that "every time is different.") So, while his securities tumbled, Baker remained optimistic about a quick recovery, though he supposedly admitted at a U.S. Steel board meeting in 1930, "I was a damn fool." Continuing to operate on the premise that "It is better to wear out than rust out," Baker remained First National's chair right up until the very end at the ripe old age of 91, leaving some $73 million, mostly to his son, though in the last few years about $22 million had gone to various charities. Reputed to be America's third richest man in his heyday, Baker found solace in giving to the Harvard Business School and the Red Cross, among others; hence his later reputation as a man with "the hardest shell and the softest heart."

While 91 is a ripe old age by anyone's standard, it is not inconceivable that Baker's life was shortened by the tragedy of the Crash; he caught pneumonia and died in his sleep. The magnitude of the Crash may have dampened his otherwise optimistic spirits.

Most of the biggest fortunes ever built were assembled as Baker's was, through slow, careful planning. Perhaps the lesson is that, while it pays to be a long-term investor and builder and not be shaken from the good things you own due to fear of economic downturn, it is also wise to be watchful and wary for the rare secular turning points that catch society unaware. Baker may have been the tortoise, but it wouldn't have hurt him any to be able to cut and run.

'American Public Finance' Is First Study On Colonial to Early National Eras

Edwin J. Perkins' examination of the development of financial services in North America is the first study to focus on the colonial, confederation, and early national eras, highlighting both the continuities of the colonial past and the sweeping institutional innovations after American independence.

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Perkins argues that the financial service sector was quite sophisticated well before the revolutionary advances in transportation and industry that occurred between the War of 1812 and the Civil War. Moreover, he contends that the maturation of the financial services sector came early, laying a solid base for advancement in other economic sectors after 1815.

"American Public Finance and Financial Services" is recommended for business and economic historians, as well as those interested in colonial and early national eras.

The book is published by the Ohio State University Press, and is part of the historical perspectives on business enterprise series, ISBN 0-8142-0619-0. To purchase this 448 page book, available for $49.50 plus postage, handling and applicable tax, contact Marla Bucy, Marketing Manager, at: 614-292-6930.

Edwin Perkins is professor of history at the University of Southern California and is the author of "The Economy of Colonial America" and "Financing Anglo-American Trade: The House of Brown, 1800 - 1880." FFH

PHOTOS: MUSEUM OF AMERICAN FINANCIAL HISTORY

Union picketers clashing with police are, unfortunately, not all that uncommon in the history of American labor. Such confrontations, however, are not usually associated with financial workers and members of the City of New York Police Department.

In these rare photographs, from the archives of the Museum of American Financial History, police and pickets are captured in a scuffle outside the entrance of The New York Stock Exchange at 11 Wall Street. The confrontation took place on the second day of the strike against the stock exchange by the United Financial Employees of the AFL, on March 30, 1948. Violence flared as a result of pickets rushing police. The police were guarding the entrance to the exchange, and had repulsed a first rushing wave of picketers without resorting to the use of their batons; however, a second rush forced police into using stronger tactics.

The market was in a bearish stage at the time of the strike, with the Dow reaching its 1948 low of 165.39 only two weeks before the strike began. The year was marked by the Berlin airlift, standout performance by oil stocks, rails prospering again and airlines sinking to new lows. (United, at $63 per share in 1945 sunk to just below $10, as did TWA, which had soared to $79 per share in the last year of the war.) The market seemed to be on an upward tear until the surprise re-election of Harry S. Truman. The year closed with the Dow down 2.1 percent. FFH

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Oil painting by Felix Phillipotteaux.
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